What we have achieved together

At LOLC we believe that working together, we can release our true potential and open up a myriad possibilities for expansion, diversification and value. Our stakeholders are numerous and varied; the employees, associates, investors, regulators and communities whose partnership and synergies drive the value we create each day.

LOLC
imagine
the possibilities

LANKA ORIX LEASING COMPANY PLC

Annual Report 2015/16

What we have achieved together

Our business interests are wide ranging, generating employment in a diversity of industry sectors including financial services, agriculture and plantations, energy, leisure, construction, manufacturing and trading. Our operations also impact the lives of thousands of people every day, through our micro-finance and SME services that have empowered Sri Lankans islandwide. Our strategic alliances with several reputed global lending agencies strengthen our offering, as we expand our footprint across the region.

The year under review was an outstanding one and we are proud to deliver these fine results to our loyal stakeholders, as together we imagine the possibilities for value creation that we can explore in the years that lie ahead.

LOLC
imagine
the possibilities

LANKA ORIX LEASING COMPANY PLC

Annual Report 2015/16

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About Us

The past few years have seen the rapid evolution of LOLC, from a leading financial services provider to the largest non-banking financial institution, to today become one of the largest and most diversified conglomerates in the country.

The LOLC Group

Ours is a legacy of dynamism, vision and nimbleness, attributes which have seen us harness, create and meet many opportunities in the national landscape to become one of Sri Lanka's most successful and respected conglomerates.

The past few years have seen the rapid evolution of LOLC, from a leading financial services provider to the largest non-banking financial institution, to today become one of the largest and most diversified conglomerates in the country. LOLC's portfolio is broadly categorised as Financial Services and Non-Financial Services, encompassing Leisure, Plantations, Agri Inputs, Renewable Energy, Construction, Manufacturing and Trading and other strategic investments.

The Group's presence in Sri Lanka spans every district, across the rural hinterlands to the cosmopolitan cities. We have also reached beyond the shores and ventured into two overseas investments, setting up operations in Cambodia and Myanmar. The success of these investments, has spurred us to expand our international presence and actively pursue new opportunities in the region.

As a leading player in the SME and Microfinance sectors of the country, the LOLC Group has been a catalyst in facilitating financial inclusion. The contribution we make to the nation's economic growth is one we hold in high esteem. Our role in microfinance has enabled us to impact beyond our own profitability, to benefit society at large and to be in sync with our triple bottom line focus in enterprise. LOLC's businesses are in the thrust areas of the economy which currently spearhead Sri Lanka's growth agenda. We will thus see the Group growing in its potential and expanding its value creation for all stakeholders.

Sector Overview

Delivering Across Our Diverse Sectors

Financial Services

Sri Lanka's largest Non-Banking Financial Institution (NBFI), LOLC offers the entire gamut of non-banking financial services such as Leasing, Lending, Micro and SME lending, Savings and Deposits, tailor-made financial products for the SME sector, Factoring, Islamic Finance, Stockbroking and Insurance.

Agriculture & Plantations

The Group's interests in the sector range from large-scale Tea, Rubber and Sugarcane plantations, to the latest Agricultural Solutions including machinery, implements, fertilizer and crop care.

Leisure

One of the few players in Sri Lanka who offer a fully-fledged Leisure and Entertainment proposition, that includes resorts, inbound and outbound travel solutions and an entertainment center.

Renewable Energy

In line with Sri Lanka's Power and Energy Strategy to increase power generation from the renewable energy sector, the Group began to pursue alternative renewable energy sources such as Solar Energy.

Sector Overview

Our business interests focus on sectors with excellent opportunities for medium to long-term growth and occupy strong industry-leading positions amidst highly competitive operating environments.

Construction

The Group's interests in the Construction sector are represented by its investment in one of the leading construction companies in Sri Lanka, where the scope of activities includes, civil engineering and piling, irrigation and telecommunications work, construction of roads and bridges, water supply and sewerage system.

Manufacturing & Trading

The sector is represented by the Group's own manufacturing plant that produces RADCO branded radiators, in addition to being the authorised agent for a wide range of world-renowned brands, including; Exide & Lucas batteries; FG Wilson Generators; Makita, Maktex and Tai-un Machinery and Power Tools; Sharp, Giesecke, Vivitec, and Olympus Home and Office Solutions; and Vetzyme, MSD Zagro, and Eukanuba Veterinary Care Products, among others.

Overseas Expansion

The Group's current portfolio of overseas investments in Myanmar and Cambodia, are all essentially Financial Service Institutions that focus mainly on grass-root level lending aimed at promoting greater financial inclusion in those countries.

Other Strategic Investments

The Group's other strategic investments comprise of investments in Healthcare, Information Technology and Banking.

The LOLC Group

A Compelling Investment Proposition...

LOLC offers a clear proposition to investors. With a market capitalisation of Rs.34 Bn, we are one of the most diversified conglomerates in Sri Lanka with interests in both fast-growing emerging markets and developed markets. LOLC's future growth is catalysed by the following five key pillars, which culminate to deliver strong shareholder returns in the medium to long term.

Forward-Looking Growth Strategy

Our fundamental strategy is to execute selective, high-impact investments with strong medium and long term growth potential. We invest in business acquisitions to increase our exposure to attractive high-growth sectors as well as to fulfil our inorganic growth objectives. At the same time, our portfolio management activities seek to create a more focused portfolio of businesses that are generally, either market leaders or are well placed in attractive niches, allowing us to benefit from the long term growth drivers in their respective industries.

Enabling Business Framework

Strong and effective governance and risk management is central to how we run our business and support the delivery of our strategic objectives. It also ensures that we remain focused on developing long term relationships with regulators, ultimately protecting our business, people and corporate reputation.

Effectively managing risk across the Group is seen as a competitive necessity and fundamental to creating and maintaining shareholder value. The Board, as part of its role in providing strategic oversight and stewardship, is responsible for maintaining a sound risk management and internal control system.

It is this strong business framework that attracted the ORIX Corporation of Japan as far back as 1980, to be followed by a gamut of leading global funding agencies including the IFC and ADB among others. For most of these international funding agencies, the partnership with LOLC marks their maiden entry to Sri Lanka, which points to the exceptional business ethics, policies and practices that are known to be the hallmarks of LOLC's legacy.

Track Record of Consistent Results

For the last three years, the Group has been on an accelerated growth path, with year-on-year topline growth exceeding 16%, while EBIT has continued to increase at an average of more than 47%. The Group has maintained ROE and ROA in excess of 7.05% and 1.91% respectively for the past five years.

Through strategic acquisitions made during this time, the Group now has vested interests in Leisure, Plantations, Manufacturing, Trading, Renewable Energy, Construction, Healthcare and IT, in addition to the core business interests in the Financial Sector, making LOLC the largest conglomerate in Sri Lanka in terms of Balance Sheet Asset Value. Moreover, LOLC is also among the only few local financial institutions to have established an overseas presence.

Dynamic Business Model

From a business perspective, we have unique strengths, which are hard to replicate and gives us a significant competitive advantage for all our businesses.

Sri Lanka

- Financial Services
- Agriculture & Plantations
- Leisure
- Renewable Energy
- Construction
- Manufacturing & Trading
- Overseas Expansion
- Other Strategic Investments

Myanmar

- Commenced operations in September 2013
- 4th foreign operator in Myanmar
- Total Assets - USD 8.7 Mn
- Portfolio - USD 4.9 Mn
- Active Borrowers - 23,217
- Coverage - 11 Branches

Cambodia

PRASAC

- Largest MFI in Cambodia
- Asset Base - USD 1,109 Mn
- Portfolio - USD 909 Mn
- Number of Borrowers - 332,717
- Coverage - 180 Branches

LOLC (Cambodia) PLC.

- 5th Largest MFI in Cambodia
- Asset Base - USD 244 Mn
- Portfolio - USD 214 Mn
- Number of Borrowers - 219,085
- Coverage - 71 Branches

Our approach is essentially to be in a constant state of innovation, a practice we apply across all aspects of our business. Putting this in perspective, we are constantly developing our people and processes, and refining our capabilities and infrastructure by investing in the latest technology, know-how and research. We consider these to be the key enablers that drive our business proposition to the next level, thereby exceeding the expectations of all our stakeholders.

Commitment to Sustainability

Achieving safe and sustainable operations remains a key priority, where we strive to minimise our environmental and social impacts, and achieve the highest standards of health and safety. We also aim to create sustainable long term in-country value for a wider group of beneficiaries including employees, regulators, local suppliers and communities. This value is not purely focused on financial returns it also comes from local employment, local sourcing of goods and services, capacity building and improved standards of living. We call our approach to achieving this value - 'shared prosperity', which ultimately aims to create a positive and lasting contribution to economic and social development in the communities and countries where we operate.

Our Presence

Northern Province

07 05
01

North-Central Province

08 01
04 02
07

North-Western Province

05 01
04 02
05

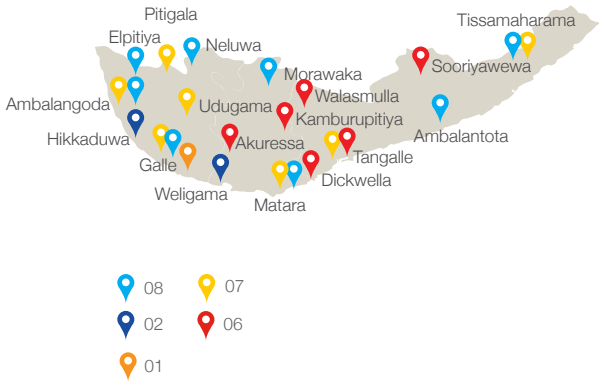
Central Province

09 01
04 01
06 02

Sabaragamuwa Province

05 04
03
01

Southern Province



Uva Province

Eastern Province

Western Province

as at 31st March

- LOLC Finance and LOMC Channel Network
  - LOLC Finance Branches
  - LOLC Finance Savings Centres
  - LOLC Finance School Centres
  - LOMC Service Centres
- LOLC Finance, Al-Falaah Centres
- LOMC Post Office Service Centres & LOLC Finance Collection Centres
- CLC & COMFAC Channel Network
- Browns Centres (Retail)* *Browns Dealers and Service Centres are located islandwide
- Isuru Diriya Branch
- LOLC Finance, Al-Falaah Savings Centres

Group Structure

LOLC MICRO CREDIT (An LOLC Group Company)

LOLC FINANCE (An LOLC Group Company)

LOLC LIFE ASSURANCE (An LOLC Group Company)

LOLC GENERAL INSURANCE (An LOLC Group Company)

LOLC SECURITIES (An LOLC Group Company)

LOLC Factors (An LOLC Group Company)

LOLC Investments (An LOLC Group Company)

LOLC Technologies (An LOLC Group Company)

LOLC CAPITALOne (An LOLC Group Company)

LOLC MOTORS (An LOLC Group Company)

LOLC MYANMAR MICRO FINANCE

LOLC (Cambodia) Plc.

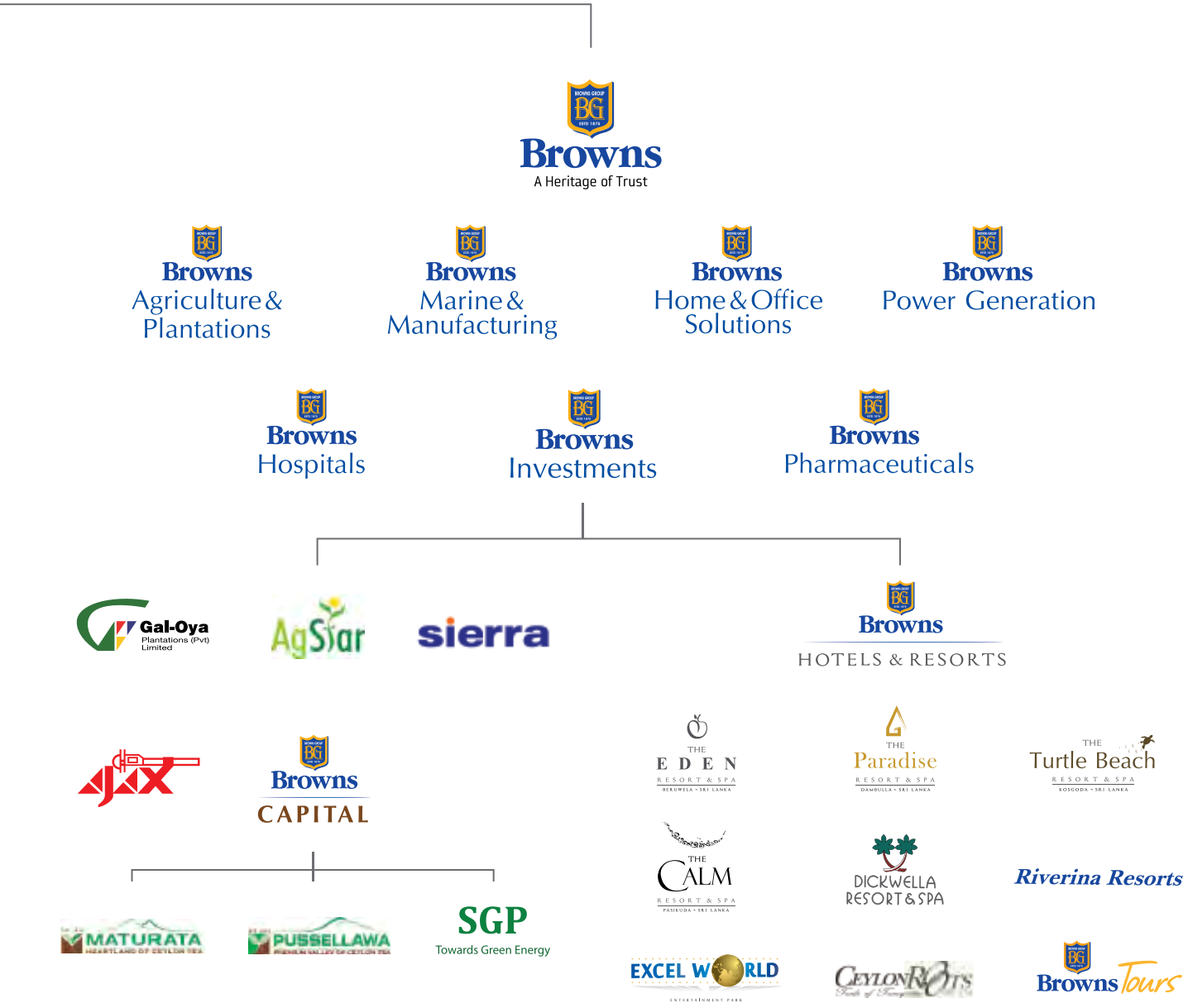
Cambodia & Myanmar Strategic Foreign Investments (In the Micro Finance Sector)

CLC COMMERCIAL LEASING & FINANCE

brac Lanka Finance

AL-FALAAH ISLAMIC FINANCIAL SERVICES

SEYLAN BANK PLC The bank with a heart


Browns
A Heritage of Trust
Browns Agriculture & Plantations
Browns Marine & Manufacturing
Browns Home & Office Solutions
Browns Power Generation
Browns Hospitals
Browns Investments
Browns Pharmaceuticals
Gal-Oya Plantations (Pvt) Limited
AgStar
sierra
Browns HOTELS & RESORTS
Browns CAPITAL
THE EDEN RESORT & SPA
THE Paradise RESORT & SPA
THE Turtle Beach RESORT & SPA
THE CALM RESORT & SPA
DICKWELLA RESORT & SPA
Riverina Resorts
MATURATA
PUSSELLAWA
SGP
Towards Green Energy
EXCEL WORLD
CEYLONROOTS
Browns Tours

Funding Partners

	Institution	Type of Facility	Purpose of Funding	Value Addition
	Belgian Investment Company for Developing Countries N.V.	Long Term USD Loan	Microfinance sector Financing and Development	Environmental Policy; Anti Money Laundering Policy
	OPEC Fund for International Development (OFID)	Long Term USD Loan	Microfinance sector Financing and Development	
	The Netherlands Development Finance Company (FMO) -Netherlands	Long Term USD Loan	SME & Microfinance Sector Financing and Development	Environmental Policy; Anti Money Laundering Policy
	French Development Agency Group (PROPARCO) - France	Long Term US $ / EURO Loan	Tsunami affected SME Sector Financing, SME Sector Financing and Development	Environmental Policy; Anti Money Laundering Policy
	Grameen Credit Agricole Microfinance Foundation	Long Term EURO Loan	Microfinance Sector Development	
	Citibank Nassau	Long Term USD Loan	Microfinance Sector Development	
	Credit Suisse Microfinance Fund Management Company	Long Term USD Loan	Microfinance Sector Development	
	Microfinance Enhancement Facility	Long Term USD Loan	Microfinance Sector Development	
	ResponsAbility - Luxembourg	Long Term USD Loan	Microfinance Sector Development	
	Norwegian Microfinance Initiative (NMI) - Norway	Long Term USD Loan	Microfinance Sector Development	
	Gawa Microfinance Fund - Luxembourg	Long Term USD Loan	Microfinance Sector Development	
	Symbiotics - Switzerland	Long Term USD Loan	Microfinance Sector Development	
	Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF. (Blue Orchard – Switzerland)	Long Term USD Loan	Microfinance Sector Development	
	Bank IM Bistum Essen - Germany	Long Term USD Loan	Microfinance Sector Development	

	Institution	Type of Facility	Purpose of Funding	Value Addition
Triodos Bank	Triodos Bank - Netherlands	Long Term EURO Loan	Microfinance Sector Development	
MV MicroVest	Microvest Short Duration Fund, LP	Long Term USD Loan	Microfinance Sector Development	
Developing World Markets	Developing World Markets - USA	Long Term USD Loan	Microfinance Sector Development	
FINNFUND	FINNISH Development Finance Company (FINNFUND) - Finland	Long Term USD Loan	SME Sector Financing and Development	Environmental Policy; Anti-Money Laundering Policy
JBIC	Japan Bank for International Corporation	Long term Rupee Loan/ Refinancing Scheme	Environmental protection/mitigate & eliminate industrial pollution and waste/ energy saving, recycling & resource recovery in industries	Environmental Policy; Anti-Money Laundering Policy
European Investment Bank	European Investment Bank	Long term Rupee Loan/ Euro Refinancing Scheme	Tsunami-affected SME Sector development and support in tourism sector	Environmental Policy; Anti-Money Laundering Policy
DEG	Deutsche Investitionsund Entwicklungsgesellschaft mbH (DEG) – Germany	Long Term USD Loan	SME Sector Financing and Development	Environmental Policy; Anti Money Laundering Policy, Liquidity risk management technology
The World Bank	The World Bank	Long term Refinancing Rupee Loan	Refinancing of rural Sector renewable energy development	Environmental Policy; Anti-Money Laundering Policy
ADB	Asian Development Bank	Long term Rupee Loan/ Refinancing Scheme	SME sector financing and development/ Tea smallholders income improvement and development. Development of the plantation sector in enhancing profitability. Improve the living and working conditions of the workforce.	Environmental Policy; Anti-Money Laundering Policy

Funding Partners

	Institution	Type of Facility	Purpose of Funding	Value Addition
	Export Development Corporation (EDC) - Canada	Long Term USD Loan	SME Sector financing & development with Canadian imports	
	Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ) - Germany	Technical Assistance for Microfinance	Development of Microfinance Sectors	Promotion of Microfinance Sector
	International Finance Corporation	Technical Assistance	Development of Microfinance Sector	Institutional Capacity Development
	MCE Social Capital	Long Term Loan	Microfinance Sector Financing Development	-
	First Gulf Bank	Long Term Loan	Portfolio Development	-
	Bank Muscat	Long Term Loan	Portfolio Development	-
	Emirates NBD	Long Term Loan	Portfolio Development	-
	National Bank of Oman	Long Term Loan	Portfolio Development	-
	RAK Bank	Long Term Loan	Portfolio Development	-
	Oikocredit International	Long Term Loan	Leasing and MSME Portfolio Development	-
	Oesterreichische Entwicklungsbank AG (Development Bank of Austria)	Long Term Loan	Leasing and MSME Portfolio Development	-

The ORIX Connection

In recognition of the commitment to enacting the ORIX Corporation vision, LOLC has been bestowed with a series of accolades including "Outstanding Performance amongst ORIX Companies" and "Excellent Performance in Overseas Operations", among others.

Our connection with the ORIX Corporation in Japan, is one of shared values that embodies the deep rooted historical ties between Japan and Sri Lanka.

Established as Orient Leasing Company in Osaka, Japan in 1964, the ORIX brand is known to be the vanguard in Japan's leasing industry. What followed was three decades of steady growth, which saw the company expand it's presence both in Japan as well as internationally. The company was then re-registered as ORIX Corporation in 1989 to signify the expansion of the business scope beyond leasing and into other aspects of the financial services business. Since then, meticulous strategic planning, willingness to innovate, and the commitment to expand the geographical footprint have been the key growth drivers that have set the company apart from its peers.

Over the years, the company has expanded its portfolio and widened the number of revenue channels but has nevertheless stayed within the boundaries of the financial services realm in order to leverage on core competencies. In addition to the core leasing business, the ORIX brand is now linked to insurance, corporate rehabilitation, loan servicing, real estate, specialised financial services, investment and retail banking and value added services.

Now a global conglomerate listed on the Tokyo and New York Stock Exchanges, the ORIX Corporation consists of 766 consolidated subsidiaries and 115 affiliates, with a total of 1,358 offices in Japan and a further 554 locations across the globe including, the United States, Asia, Oceania, Europe, the Middle East and Africa.

Following the ORIX Corporation's decision to expand their footprint in the Asia and Oceania region, the connection with Sri Lanka was established in 1980 and the Lanka ORIX Leasing Company (LOLC) was registered on 14th March 1980.

Since then, LOLC has grown in strength and stature, benefitting from the shared knowledge, expertise and insights into the ORIX Corporation value culture. However, it is the ORIX brand value that has been the cornerstone of LOLC's success story. Since inception, ORIX Corporation too has continued its active engagement in this success story with a 30% shareholding, making them the main investment partner, with two senior executives of ORIX Japan present on the LOLC Board.

LOLC has always been an innovative Company, but thanks to the synergies derived from the connection with ORIX, LOLC is today one of Sri Lanka's leading conglomerates with interests in a diverse portfolio of businesses in several thrust areas of the economy.

And it is the expertise, best practices, governance standards, stability and wisdom of ORIX that has made LOLC a legend in Sri Lanka's corporate sector.

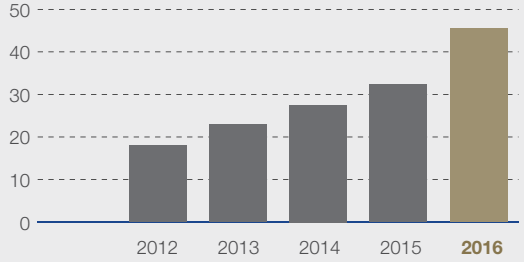
In recognition of the commitment to enacting the ORIX Corporation vision, LOLC has been bestowed with a series of accolades including "Outstanding Performance amongst ORIX Companies" and "Excellent Performance in Overseas Operations", among others.

Moving forward, the LOLC Group remains fully committed to refine its alignment with ORIX strategies and will continuously strive to fulfil the high standard of business excellence set by ORIX Corporation.

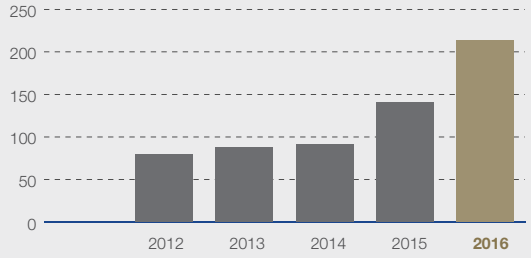
Financial Highlights

For the year ended 31 March	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Group										
Performance Indicators (Rs. Mn)										
Net profit before tax	998	1,183	1,247	2,841	8,282	7,068	3,706	4,436	8,169	11,858
Net profit after tax	1,050	1,343	1,055	2,385	7,023	5,704	2,552	3,069	6,299	9,331
Total assets	24,484	32,994	46,287	75,371	113,070	145,204	162,982	167,175	244,917	379,595
New executions	13,340	14,320	14,906	21,963	47,392	58,233	48,119	65,299	113,048	191,135
Gross portfolio (rentals receivable)	23,057	29,282	44,824	47,351	70,077	105,932	107,038	112,747	172,784	252,443
Deposits from customers	1,746	3,340	5,229	10,095	17,899	26,233	35,397	49,615	50,587	74,166
Outstanding borrowings	17,001	22,887	31,764	38,235	49,256	65,425	72,946	66,868	119,232	215,076
Non-performing portfolio	137	526	1,933	1,431	1,159	1,702	3,071	3,354	4,014	5,054
Return on equity (%)	31.08	29.84	18.72	18.67	25.88	14.62	5.90	7.05	13.16	15.24
Key Indicators (Rs. Per share)										
Net asset value per share (adjusted)	7.96	10.78	12.65	16.63	27.53	41.22	43.96	47.64	59.41	79.33
Earnings per share (adjusted)	2.19	2.82	2.22	3.88	8.08	12.00	5.37	3.19	11.37	17.93
Company										
Performance Indicators (Rs. Mn)										
Net profit before tax	910	841	582	491	1,898	3,072	68	689	458	835
Net profit after tax	987	1,059	505	327	1,523	2,977	34	694	504	689
Total assets	20,889	28,996	31,335	29,738	54,213	58,028	53,239	49,254	62,609	75,494
New executions	12,068	12,127	12,170	4,569	5,036	3,926	271	–	–	–
Gross portfolio (rentals receivable)	19,851	25,056	25,185	17,958	11,897	7,704	3,881	2,134	1,378	1,848
Outstanding borrowings	16,250	22,273	24,850	23,087	22,379	23,807	19,738	14,254	25,016	38,369
Non-performing portfolio	137	443	538	769	545	500	357	178	168	168
Key Indicators (Rs. per share)										
Dividends per share	0.15	0.23	0.28	–	–	–	0.50	–	–	–
Market price per share	10.75	11.78	6.95	16.50	119.60	54.00	60.70	75.00	76.60	72.00
Net asset value per share	7.77	10.02	10.74	11.42	15.67	69.97	68.86	71.82	73.44	74.71
(Times)										
Debt to equity ratio	4.40	4.66	4.87	4.25	3.00	0.72	0.60	0.42	0.72	1.08
Interest cover	1.63	1.28	1.14	1.16	1.80	2.19	1.02	1.25	1.27	1.26
Dividend cover	13.86	9.53	3.79	–	–	–	0.14	–	–	–

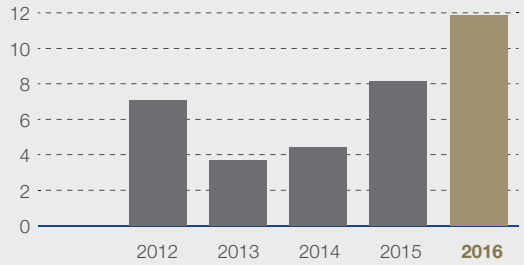
Income (Rs. Bn)



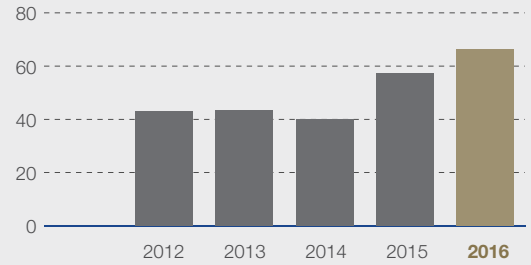
Net lending portfolio (Rs. Bn)



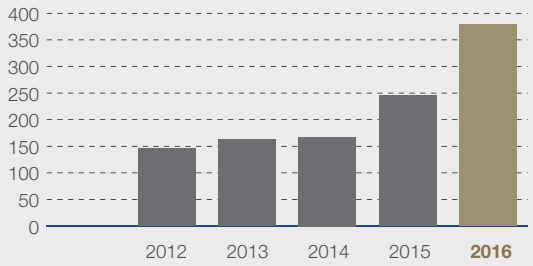
Profit before tax (Rs. Bn)



Shareholders' funds (Rs. Bn)



Total assets (Rs. Bn)



Awards and Certifications

LOLC was placed 7th in the Business Today's TOP 25 Edition 2015.

LOLC Group was bestowed a Silver Award at the SLITAD People Development Awards 2015.

LOLC Micro Credit won Bronze at the 2016 Effies for the Most Effective Campaign in the Finance Category for the 'Hari Para' campaign.

IFN Awards
REDmoney IFN Islamic Finance news

Al-Falaah, the Islamic Business Unit of LOLC Finance received top recognition at the IFN Best Banks Poll global awards 2015. Al-Falaah was adjudged Runners-Up in the category of "Best Islamic Leasing Provider (Overall) 2015" at the Redmoney's Annual Global Awards - Islamic Finance News (IFN) Best Banks Poll 2015.

LOLC Securities Limited won Gold and Silver awards for the Best Equity Research report at the Capital Market Awards & Forecast Dinner organised by CFA Society Sri Lanka.

Al-Falaah, the Islamic Business Unit of LOLC Finance won the following accolades for the Country categories at the 1st IFFSA Awards (Islamic Finance Forum South Asia).

1. Islamic Finance Entity of the Year, Sri Lanka - SILVER Award
2. Social Upliftment Award, Sri Lanka - GOLD Award

Nadheer Siddeeq representing Al-Falaah Takaful of LOLC General Insurance Ltd. was adjudged;

3. Rising Islamic Finance Personality of the Year - Gold Award Winner

Eden Resort & Spa won the following awards and certificates during the 2015/2016 FY.

1. Winner in the Hospitality and Tourism sector at the 2015 National Business Excellence Awards (NBEA).
2. Booking.com award 2015
3. Trip Advisor – Certificate of Excellence 2015
4. ISO/HACCP 22000:2005 Certificate
5. Holiday Check 2016
6. Chef's Guild – Medals (Gold Excellence, Gold, Silver & Bronze)

Milestones of the Year

- LOLC Group was bestowed a Silver Award at the SLITAD People Development Awards 2015.

- LOLC was ranked 13th among Sri Lanka's Leading Listed Companies in the 22nd edition of the LMD 100 annual magazine.

- Al Falaah, BRAC and Browns Tours moved to its new corporate office at Darley Road, Colombo 10.

- The name Thaneakea Phum (Cambodia) Ltd, was changed to LOLC Cambodia PLC.

- Three LOLC Group Companies received largest Syndicated Loan in history of Sri Lanka's NBFI Sector.

- LOLC was placed 7th in the Business Today's TOP 25 Edition 2015.

- At the 1st IFFSA Awards (Islamic Finance Forum South Asia) Al-Falaah, the Islamic Business Unit of LOLC Finance won two accolades for the Country categories; Islamic Finance Entity of the Year, Sri Lanka - SILVER Award, Social Upliftment Award, Sri Lanka - GOLD Award.

  Meanwhile, Nadheer Siddeeq representing Al-Falaah Takaful of LOLC General Insurance Ltd. was adjudged Rising Islamic Finance Personality of the Year - Gold Award.

- LOLC Finance opened a new branch in Kaduwela
- The Kandy Branch which is the first branch office of LOLC Finance moved to its very own premises
- LOLC Securities Limited won Gold and Silver awards for the Best Equity Research report at the Capital Market Awards & Forecast Dinner organised by CFA Society Sri Lanka
- LOLC is ranked among the TOP 10 Most Respected Firms in Sri Lanka
- The LOLC Finance Branch in Ambalangoda moved to a new location
- Al-Falaah Takaful Celebrated a successful first year
- LOLC Finance connects to CEFTS (Common Electronic Fund Transfer Switch) enabling faster and reliable real-time electronic payment
- BRAC Lanka Finance opened its first regional office in Matara
- ICRA Lanka Limited, a Group Company of Moody's Investor Services upgraded the credit rating of LOLC, LOLC Finance PLC and Commercial Leasing & Finance PLC to [SL] A with stable outlook from [SL] A- with stable outlook
- The LOLC Finance City office at Union Place was relocated to T.B. Jayah Mawatha (Darley Road), Colombo 10
- Lanka ORIX Finance PLC changed name to LOLC Finance PLC

- LOLC invested USD 35 Mn in four Male Hotels
- Al-Falaah, the Islamic Business Unit of LOLC Finance received top recognition at the IFN Best Banks Poll global awards 2015. Al-Falaah was adjudged Runners-Up in the category of "Best Islamic Leasing Provider (Overall) 2015" at the Redmoney's Annual Global Awards - Islamic Finance News (IFN) Best Banks Poll 2015.
- The 2nd LOLC Vasana Super Draw, took place awarding 6 winners with brand new Fiat Linea motor cars
- The LOLC Finance Jaffna office moved into its very own premises at No. 62/40, Stanley Road, Jaffna
- The LOLC Finance City office moved to No. 481, T.B. Jayah Mawatha (Darley Road), Colombo 10
- The HR Team organised its Annual CSR project at the Missionaries of Charity Sisters of Mother Teresa Shanthi Nivasa, Home for the Elders in Mattakkuliya

LOLC Micro Credit won Bronze at the 2016 Effies for the Most Effective Campaign in the Finance Category for the 'Hari Para' campaign.

A Letter from the Chairman

LOLC is stronger today, and better positioned to deliver long-term value to our shareholders, thanks to our commitment to continuous improvement and uncompromised execution of our strategies.

A testament to greatness

Dear Stakeholders,

On behalf of the Board of Directors of LOLC, it is my pleasure to present to you the Annual Report and Financial Statements for the year ended 31st March 2016. In the year under review, the Company achieved an excellent financial performance under testing conditions, marking a hallmark year in all aspects of operations.

I would first like to express my thanks to the outgoing Chairperson, Mrs. Rohini Nanayakkara, whose efforts spearheaded the Company to its current status as one of the largest Conglomerates in Sri Lanka and wish her all the best for the future.

The previous year was one of great change for Sri Lanka, with two elections and significant socio-economic reforms. There was hesitation from the investor market at the beginning of the year, which combined with a weakened global economy to cause a drop in the rate of economic growth in the country. Global markets experienced some volatility too, with tensions in the Middle East, gyrating stock market in China and concerns in European economies leading to lower demand for traditionally strong Sri Lankan exports such as tea, rubber and sugar. The forecast for the future, however, looks bright as global growth rates are expected to grow as top economies launched recovery efforts, with India leading the way with strong regulatory reforms.

I am delighted to note how well LOLC has done in these difficult conditions. The Company has remained resilient, tabling the highest-ever gross income of Rs. 66 Bn, a 50% rise from the year before, which articulates strong bottom-line growth. LOLC is stronger today, and better positioned to deliver long-term value to our shareholders, thanks to our commitment to continuous improvement and uncompromised execution of our strategies. This is evidenced by our proactive strategic motions formulated in the wake of the elections; we focused inwards, on optimising our processes to ensure we remained on our high paced growth trajectory. Anchored by the solid foundation provided by the ORIX Corporation of Japan, our core business of financial services continued to thrive; we leveraged Group synergies through our diverse portfolio, helping smoothen the impact of fluctuating economic cycles and catalysing our core growth objectives. LOLC was able to turn a challenging situation into a triumph; this, I believe, is the trademark of our success.

Gross Income

66.7
(Rs. Bn.)

Growth in Gross Income

50%

Pivoted on the success of our core business, the Group has been on an accelerated growth path for the past few years, leading to strategic investments in many potentially high-growth sectors of the economy, including: Leisure, Plantations, Construction, Trading, Renewable Energy, Healthcare and IT, among others. Bolstered by its strength in a number of industries, LOLC has become a household name, synonymous in Sri Lanka with dependability and inclusiveness.

A Letter from the Chairman

I am pleased to have witnessed the dynamic nature of our Company over the previous year, reaching for further heights. Having an established presence in Sri Lanka and reinforced by the support of our esteemed international funders, we are now trying to replicate our success overseas, with strategic investments in Cambodia and Myanmar. LOLC has long been one of Sri Lanka's premier providers of micro-finance products and services, and we are proud holders of the top micro-finance institution (MFI)- LOLC Micro Credit Limited (LOMC). Serving over 350,000 clients and accumulating a portfolio of over Rs. 38 Bn, LOMC has been in the lead in micro portfolio, an indication of the lofty heights we wish to scale in our overseas investments. PRASAC Micro Finance Institution in Cambodia has had a truly exceptional year, positioned as the largest MFI in the country with a portfolio growth of nearly 50% over the previous year. It has also been recognised by MIX as a S.T.A.R. MFI in September 2015 and also achieved the Client Protection Certification by the SMART Campaign in December. LOLC Cambodia and LOLC Myanmar have also displayed heartening growth, evidenced by the Non-Performing Loans ratio below the industry, made even more impressive by the challenging regulatory environments in which they operate.

There has been a pronounced increase in tourist arrivals to Sri Lanka due to strengthened ties with USA, EU, India and China, and several major international hotels have identified the country as a destination with great untapped potential. These exciting developments in the leisure sector were soon maximised by LOLC Group hotels, with The Eden Resort and Spa, Dickwella Resort and Spa, The Paradise Resort and Spa and the latest addition – The Calm Resort and Spa with two more projects in the pipeline. Emboldened by these trends, we have extended our leisure sector footprint to the Maldives, with three projects currently under construction. I am truly excited at the prospect of entering this competitive, yet lucrative market.

As a testament to the confidence placed in the LOLC brand, this year marked an unprecedented landmark achievement for us. Between three of our finance companies, namely Commercial Leasing and Finance company, LOLC Finance and LOLC Micro Credit, we brought in over quarter billion dollars of foreign funding, that is considered to be the largest-ever syndicated loans in the history of the Sri Lankan Non-Banking Financial Sector. This transaction was special not just in the magnitude of amount and number of lenders, but it is the first time middle eastern banks participated in a syndication in Sri Lanka and I believe, it clearly demonstrates the international investor confidence and reliability associated with LOLC Group.

I am pleased to have witnessed the dynamic nature of our Company over the previous year, reaching for further heights. Having an established presence in Sri Lanka and reinforced by the support of our esteemed international funders, we are now trying to replicate our success overseas, with strategic investments in Cambodia and Myanmar.

To conclude, we have many reasons to remain optimistic about the markets we serve, and are keen to capitalise on any new opportunities that may arise. Hence, our strategy remains firmly focused on further growth and expansion, with purposeful investments, by strengthening our existing partnerships, as well as identifying potential new ones. In this context, I am confident that we can surge further ahead, acting as catalysts for sustainable, inclusive development.

I would like to extend my sincere gratitude to the Board of Directors for their unstinted support, our shareholders and customers for the unblemished confidence and loyalty placed in us. My appreciation goes out to our longstanding international funding partners and banks for their continued and much valued contribution to our success. My heartfelt thanks to the LOLC team led by our Group Managing Director, for their tremendous efforts and uncompromised commitment at all times.

Together we have achieved much but imagine the possibilities!

Mr. R M Nanayakkara
Chairman

Review of the Deputy Chairman

Buoyed by our success, we are able to use our platform to steer our course towards our true passion in uplifting the livelihood of the grass root level entrepreneurs – the backbone of the Sri Lankan economy.

Review of the Deputy Chairman

A vibrant proposition for all stakeholders

Dear Shareholders,

The voyage we began together has indeed been one worth commemorating; the opportunities we seized, the challenges we capitalised, the risks we conquered, have brought us where we are now. Having introduced Leasing to Sri Lanka, LOLC soon evolved to become a premier financial solutions provider and then to become the largest Non-Bank Financial Institution in the country. The Group ventured into multiple strategic investments with renewed vigour in the post war era, with investments made in the growth sectors such as leisure, construction and plantations. Today, the LOLC Group stands tall as one of the largest conglomerates in Sri Lanka – remarkable progress within such a short time span. Buoyed by our success, we are able to use our platform to steer our course towards our true passion in uplifting the livelihood of the grass root level entrepreneurs – the backbone of the Sri Lankan economy.

Building on LOLC's start as the pioneer in leasing, the financial portfolio has been expanded to serve every aspect of the value chain. The Group's portfolio today, consists of comprehensive product mix including lending, savings, insurance, microfinance, Islamic finance, SME finance and working capital. Following its success in the financial services industry, LOLC has expanded this scope into various growth perimeters, through strategic investments in the Non-Financial sector which include Leisure, Plantations, Agri Inputs, Renewable Energy, Construction, Manufacturing, Trading, Information Technology and the recent addition - Healthcare.

The key focus this year, was to enhance the value creation, build capacity and sustain the growth momentum of the Group. Central to this goal were the initiatives instigated, such as repositioning and restructuring of the new ventures, further investments in high-growth markets while improving operational efficiencies across the businesses. Broadening the exposure to micro-lending and micro insurance were among the notable developments in this regard. We also focused on improving the versatility of our financial services suite by sharpening the market responsiveness of all core products on the lending portfolio vis-à-vis greater product diversity and a strong emphasis on value-added-services such as online and mobile banking. The product digitalization and channel management strategies were aimed at consolidating our position in existing markets.

The financial year under review has been indeed a challenge amidst the dramatic changes in the political and economic landscape. LOLC Group however, emerged triumphant and concluded one of the most successful years. The total asset base of the Group reached to Rs. 379 Billion, a growth of 55% while recording an impressive PBT of Rs. 11.8 Billion, a 45% increase compared to last year.

Contributing 82% to Group profits, the financial sector has performed remarkably during the year under review. The flagship entity of LOLC Group, LOLC Finance PLC had an outstanding year recording a growth in 48% in asset portfolio. You will be proud to note that LOLC Finance became the nation's single-largest deposit taker among the non-bank financial institutions.

Commercial Leasing & Finance PLC (CLC), a catalyst in SME Financing too had its hallmark moment- receiving the largest foreign syndication loan in Sri Lanka's history. LOLC Micro Credit (LOMC) and BRAC Lanka Finance PLC, the microfinance entities of LOLC Group expanded its portfolio by 52% and 160% respectively, revolutionizing financial inclusion among the grass-root level. LOLC Life Insurance and General Insurance, now as two individual companies have strengthened its position among insurance players to reach the top ten players in less than three years of operations. Our associate, Seylan Bank, now the 4th largest commercial Bank in Sri Lanka, had also achieved the highest ever net profit of Rs. 3.8 Billion. Thus, this year has exemplified the perfect alignment of strategy and action.

Propelling us to these milestones, we have long enjoyed a key competitive advantage; our strong partnerships with one of, if not the largest array of international funding institutions in the nation. Receiving a total of USD 247 million between CLC, LOLC Finance and LOMC involved 18 funding partners, two syndications, one with 11 partners and the other being the first ever syndication with Middle Eastern partners. While CLC received USD 153.1 million by 11 partners lead by FMO, ADB gave LOLC Finance USD 69 million including the syndication of Middle Eastern banks. A senior loan of USD 25 million was also given to LOMC by ADB. Put together, these transactions create history in the NBFI sector as the largest syndication thus far, notwithstanding the uncompromised confidence that the funding partners have in the LOLC Group.

These facilities not only contribute as long term competitive funding, but enhancing our operational excellence, fine-tuning processes, improving environmental practices and governance of international standards. To this effect, the above syndication brought in technical assistance in the areas of capacity building, asset and liability management and environmental and social practices among other value additions.

Non-Financial Sector

The Non-Financial sector of the LOLC Group, led by Brown & Company PLC and Browns Investment PLC, strengthened its position by tapping into new customer segments and further diversifying its product range post strategic restructuring in 2014. As the core business of Brown & Company PLC, the trading sector was the main contributor to the bottom-line despite heavy competition from Chinese imports.

In the plantation sector, Galoya Plantations maintained its steady growth trajectory, demonstrating sound progress in terms of land productivity in sugar cultivation, as well as introducing innovative initiatives in bio-digesting and energy production. Despite significant setbacks this year stemming from erratic weather patterns, drastic reductions in global commodity prices and policy changes, we are confident that the strategic restructuring of Mathurata and Pussellawa Plantations would enhance efficiencies in the future. AgStar Fertilizers, undoubtedly one of the most trusted and highly used fertilizers, also continued its consistent growth in 2015, with an increase by 10% in sales.

In its first full year of operations, I am particularly pleased at how Browns Hospital has shown remarkable resilience in the highly competitive healthcare market to stand today as the only fully-fledged hospital in the Gampaha District. Backed by the dynamic quality of the 'Browns' brand name, the hospital has certainly made a great start in reaching their goal of becoming the leading affordable multi-disciplinary healthcare provider in the country.

Increased tourist arrivals to the country provided the leisure sector with a higher occupancy rate throughout the year with The Eden Resort & Spa boasting the highest occupancy level in the leisure portfolio and Dickwella Resort & Spa re-opening after a soft refurbishment in the third quarter. The Paradise Resort & Spa too performed above expectations and The Calm in Passikudah, a 70 key resort in the pristine east coast, was added to the portfolio.

Looking ahead, we are currently in the final stages of negotiations for the management of The Turtle Beach Resort & Spa in Kosgoda with a leading International firm, and our biggest upcoming investment, the Riverina Resorts is poised to be a star class hotel in the Golden Mile with 367 rooms in completion.

Profit Before Tax

11.8

(Rs. Bn.)

Growth in PBT

45%

Review of the Deputy Chairman

Future Outlook

Looking ahead, I am confident that the strategic initiatives outlined above will help us build a solid foundation to accelerate the growth of the company in years to come. LOLC would prudently expand its reach in line with national growth trajectory harnessing the potentials. In terms of the financial sector, our focus is on value addition and regional expansion to South and East Asia backed by the decades' long expertise over the entire value chain of financing.

In terms of the Non-Financial sector we are attracted by lucrative opportunities offered by the leisure sector, hence more strategic investments in popular tourist destinations within South Asia is in the investment pipeline. Plans are also underway to penetrate the century old Browns brand to reach greater heights. In order to fulfil our goals of becoming the top conglomerate in Sri Lanka, we are committed to consolidating our current position by focusing on the key values to which we owe our success.

I strongly believe what we achieve together will lay the foundation for the next growth phase for the LOLC Group.

Appreciation

I would like to express my profound gratitude to our Chairman and my colleagues on the Board for their steadfast support and guidance at all times. A special word of thanks also to our outgoing Chairperson, Mrs. Rohini Nanayakkara, who in her 11th year with the company, has left an indelible mark of excellence. I wish her well for the future. To the dynamic team at LOLC whose passion, commitment and dedication has been the greatest asset of the Company, to the international and local funding partners, shareholders and all other stakeholders for their unwavering loyalty and faith, I thank you all wholeheartedly.

We look to the year ahead with much optimism, inspired by the vibrant pace we kept in the year that just ended.

Mr. I C Nanayakkara
Deputy Chairman

Looking ahead, I am confident that the strategic initiatives outlined above will help us build a solid foundation to accelerate the growth of the company in years to come. LOLC would prudently expand its reach in line with national growth trajectory harnessing the potentials.

Group Managing Director/CEO's Review

For a Company in its 35th year of operations, we have prided ourselves on striving for continuous improvement. This year we recorded a Profit Before Tax of Rs. 11.8 Bn, a 45% increase compared to the previous year.

The benchmark of success

Group Performance and Achievements

This has been another stellar year for LOLC, and the financial performance speaks for itself. It has been a year of change in the socio-political arena, both globally and in Sri Lanka, but I am proud to note that LOLC has successfully weathered these challenges. For a Company in its 35th year of operations, we have prided ourselves on striving for continuous improvement. This year we recorded a Profit Before Tax of Rs. 11.8 Bn, a 45% increase compared to the previous year.

Given the uncertainty following the political changes in 2015, economic growth took a backseat as the country attempted to stabilise following cues from the investor market. However, the economy bounced back following the end of interim government and increased consumer confidence led to a GDP of 4.5%. Looking at traditional industries, agriculture and fishing activities too grew by 8% and 5% respectively, while the services sector, which accounts for 56.6% of Sri Lanka's GDP, grew at 5.3% from 2015.

The country's balance of payments saw an improvement, largely due to declining oil prices which fell by more than 50% over the last financial year. These benefits were passed down to consumers and businesses through the reductions in gasoline prices. The country's overall import bill has seen a sharp increase in 2015, through the easing of duties which led to increased consumer spending on imported motor vehicles-close to double that of FY2014 in the first 5 months-which offset the gains from energy savings. However, 2016, expected to temper consumer appetites with newly imposed higher taxes on vehicles and loan-to-value caps in lending. The rupee's depreciation, echoing a general weakening of Asian currencies this year, is also likely to play a role in reducing import expenditure. Weakening global demand meant that export figures continued to decline, but the forecast looks positive for the next year because global growth rates are expected to grow from 2.4% to 2.9%.

Loan Book

212

(Rs. Bn.)

Total Assets

379

(Rs. Bn.)

The global economy has shown positive growth following the financial crisis of 2008, but recovery has been weaker than expected, reflecting currency depreciations and a fluctuating stock market in China, geo-political conflicts in the Middle East and stagnation concerns in European economies. Looking ahead, however, Chinese consumer confidence has rebounded and remains strong, and India continues to record above-trend growth due to their recent regulatory reforms.

In this context, I am pleased by the robust growth displayed by LOLC, alongside the proactive strategic changes we made in order to sustain our progress in these challenging socio-political conditions. Our short-term strategy after the elections was key in securing the strong position we hold today. Our main focus was on fortifying our internal susceptibility to risk, and we did this by close monitoring in NPL management, efficient internal cost management, aligning shared services to maximise group synergies, focusing on key hires to improve performance levels in subsidiaries and increasing funding diversity by concentrating on consumer deposits. On account of our long-standing partnerships with top foreign funders, we were also able to secure sufficient long-term funding prior to the anticipated increase in interest rates.

It is encouraging to note the continued strength in the core business fundamentals and operations of our financial sector companies. In fact, our financial service subsidiaries contributed to 82% of total Group profits. Notably, a record increase in the deposit book, saw LOLC Finance become the single-largest deposit taker among the non-bank financial institutions in Sri Lanka as at 31st March 2016. Meanwhile, LOLC Finance's specialised Islamic Banking Unit, Al-Falaah gained ground as the front-runner in the industry, producing promising financial results such as a PBT of Rs. 515 Mn on the way to local and international recognition for services.

Two of our top performers, LOLC Micro Credit Limited and Commercial Leasing and Finance PLC surged to the top tier of their respective industries, registering YOY growth in Profit Before Tax by 36% and 16% respectively while the flagship finance company, LOLC Finance PLC has recorded a staggering growth in asset base by 63%. Concluding its 2nd year under the LOLC Group, subsequent to the incorporation of LOLC's MIS and Shared Service model, BRAC Lanka Finance PLC achieved an astounding growth, increasing its portfolio by 160% while recording a PBT of Rs. 260 Mn.

LOLC Group's insurance arm has prospered, overcoming the challenges of the segregation requirement laid down by new amendments to the Regulation of Insurance Industry Act by the Insurance Board of Sri Lanka, and both the life and general insurance businesses have fared well, showing a rise in Gross Written Premium of 93% and 35% respectively. This rapid growth in the life business led to the company infused shareholder capital increasing the life fund from Rs. 774 Mn to Rs. 1.5 Bn. LOLC Group's large and far-reaching agency network played an important role in spreading LOLC Insurance's footprint further this year, observing an increase from 355 to 432 employees, which bodes well for future growth.

LOLC's maiden international investment, PRASAC Micro Finance Institution in Cambodia grew from strength to strength, capitalising on its position as the leading microfinance company in the country. The cornerstone of PRASAC's success has been its emphasis on ensuring financial returns are supplemented by environmental and social protection.

LOLC Myanmar achieved a significant milestone by being the 4th foreign owned entity to be licensed as a deposit taking MFI by being considered the 8th largest micro-finance provider, among 168 licensed Micro Finance institutions in Myanmar in just two and half years in operations. LOLC Cambodia outperformed all its peers with key financial indicators and has become the 5th largest micro-finance provider in Cambodia in just under two years of our management.

Our investment in Seylan Bank too gave healthy returns in the year under review with a profit contribution of Rs. 1.2 Bn to Group PBT.

Our long term investments in the non- financial sector too started to reap benefits. As the tourist arrivals to the country surpassed the initial target for the year and reached 1.8 Mn, which is a growth of 39% over the previous year, inward remittances too witnessed a surge to a USD 7 Billion, a growth of 9.5%. As major international hotel chains including luxury conglomerates continue to emerge in Sri Lanka, the country will look to strengthen its global tourism standing in the next financial year and beyond. These positive trends filtered down to LOLC's hotels, with The Eden Resort & Spa boasting the highest occupancy level within the company. Meanwhile, Dickwella Resort & Spa was closed for renovation during the year and re-opened in the third quarter of the year, adding more depth to our leisure portfolio. The Paradise Resort and Spa became a significant player in the leisure portfolio and the highlight of the year in this segment was the launch of our newest addition, "The Calm", a 70 luxury room resort true to the name, in the best beach belt in Passikudah.

The trading sector which is the core business of Brown & Company PLC and the main contributor to their bottom-line, saw a significant increase in volume and operations. This was also the first full year of operations for Browns Hospital, and I am pleased to confirm that the iconic brand standing of 'Browns' was effectively leveraged to add value and differentiate it in the market. The hospital has slowly gained visibility as the only fully-equipped, state-of-the-art general hospital in the Gampaha District. Our investment in Sierra Constructions adds diversity to our non-financial portfolio with a promising prospect in light of the re-launch of some of the halted infrastructure projects.

As for the plantation sector, AgStar grew to be the market leader in agriculture inputs and fertilizing. Galoya Plantations recorded sound progress in terms of the plantation, production of sugar, and exploring avenues for value additions such as bio-digesting, energy production and other bi-products. Both Mathurata and Pussallawa Plantations are going through a strategic restructuring and reengineering some of the processes to enhance efficiencies and to adapt to volatile market conditions.

Landmark Loan Syndication

The crowning moment on an already impressive year came when 3 LOLC Group companies received the largest syndicated loan in the history of the Sri Lankan NBFI sector, solidifying our presence as a trusted entity for foreign investors. A total of USD 247 million was received from multiple foreign funding partners and consists of 3 loans, given to CLC, LOMC and LOLC Finance. A USD 153.1 million loan was granted to Commercial Leasing and Finance PLC,

Group Managing Director/CEO's Review

through FMO (Financierings Maatschappij Ontwikkelingslanden), the Dutch Development Bank that provided the loan and acted as Mandated Lead Arranger and Facility Agent. The loan consists of a senior loan of USD 39.2 million from FMO and a USD 113.9 million syndicated loan from 11 distinguished funding partners for Commercial Leasing & Finance PLC (CLC). In addition to the syndicated loan transaction, FMO in partnership with other lenders in the syndicate - is committed to supporting CLC with a tailored technical assistance programme to further strengthen CLC's operation standards. The technical assistance includes capacity building in the area of Asset and Liability Management, environmental, social and governance standards, client protection principles and a management development programme focused on leadership and skill training for employees.

LOLC Finance PLC received a USD 69 million loan consisting of USD 30 million from the Asian Development Bank (ADB) and a USD 39 million syndicated loan from prominent Middle Eastern banks. Transcending business, this also is a symbolic moment in multilateral relations, as this is the first syndicated loan from a consortium of Middle Eastern banks to the NBFI sector of Sri Lanka.

LOLC Micro Credit Limited, the largest microfinance company in the country, received a USD 25 million senior loan from ADB, making it the single-largest loan received by the company in the present financial year. ADB will also provide a technical assistance package to LOLC Micro Credit Limited and LOLC Finance PLC, comprising mobile banking support and the development of Environmental and Social Management Systems.

Over the years, these programmes have played a vital role, supplementing funding assistance by providing LOLC with the training in the technology and procedures required to maintain their standing at the top level of the Sri Lankan finance industry. Our foreign partners have offered us invaluable assistance ranging from capacity building to exposure to global standards over the years, which has enabled us to achieve operational excellence offering the competitive edge. These institutions consider LOLC Group as their preferred conduit in achieving their development and commercial goals, which is a testament to the strong partnerships that have expanded and strengthened over the years. This has provided us with the impetus needed to further our vision, in serving the micro and SME sector, and ensuring sustainable growth.

The crowning moment on an already impressive year came when three LOLC Group companies received the largest syndicated loan in the history of the Sri Lankan NBFI sector, solidifying our presence as a trusted entity for foreign investors.

Accolades Received

LOLC was ranked the 9th most respected business entity in Sri Lanka by LMD magazine's annual rankings, and was recognised as 'one of the movers and shakers' on the list. This is the first time the Group has reached the Top Ten of this list, a reflection of its ability to identify and harness opportunities in a rapidly changing business climate, prioritising clients and opportunities for value creation. The Group received further recognition from Business Today, ranked 7th out of the 25 leading companies listed on the Colombo Stock Exchange. As the market leader in private sector microfinance, LOLC Micro Credit has received many accolades over the years, even on a global scale, and this is in no small part due to the strength of its marketing and communications department; they have worked tirelessly through research, promotional campaigns and consumer awareness campaigns to identify and target chances to grow market share and increase revenue. They were rewarded this year at the prestigious Effie Awards, receiving the bronze medal for 'Most Effective Campaign-Finance' for their 'Hari Para' campaign.

ICRA Lanka Limited, of Moody's Investor Services, has also upgraded the credit rating of LOLC and two of its top financial services subsidiaries, LOLC Finance and CLC to [SL] A with stable outlook from [SL] A- with stable outlook. These ratings factor in the Group's long track record in the retail finance sector, its lofty position in the Sri Lankan financial services industry, expertise and skills of the experienced management team and the strong risk management system in place. ICRA's decision to revise the ratings is indicative of LOLC's strong performance over the last 12-18 months, with a distinct improvement in asset quality, group Gross Non-Performing Assets progressing to a healthier 2.3% from 2.8% in 2015 and Consolidated Return on Assets (RoA) rising up to 3.11% compared to 3.06% in FY2015. This reflects the confidence and trust placed in the Group as a premier financial service provider, and I am pleased to note how we have pushed ourselves to improve over the years.

Future Outlook

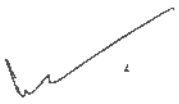
In line with the growth projected for the Sri Lankan economy, LOLC expects to develop their strategies and business processes in order to best harness the opportunities. We will continue to expand our regional presence, and are excited by the prospects presented by our projects in South Asia, such as the acquisition of two resorts and one hotel in the Maldives. The Maldives represents a thriving leisure sector and high returns, so this is an important opportunity for us to develop our expertise and spread our footprint. Given our success with PRASAC, LOLC Cambodia and LOLC Myanmar, we are also well set to seek further expansion in the region.

Keeping with our vision for sustainable development, we have invested in renewable energy projects such as Sagasolar Power Pvt. Ltd, in order to increase power generation from solar energy. This will be Sri Lanka's first utility scale Solar Farm, so we are keen to see the project reach the implementation stage this year.

In order to fulfil our goals of becoming the top conglomerate in Sri Lanka, we are committed to consolidating our current position by focusing on the key values to which we owe our success. We are dedicated to maintaining the highest possible level of integrity in all activities while we implement our triple-bottom-line approach to all activities, innovating and challenging ourselves while we protect the environment and all stakeholders.

In conclusion, I extend my sincere appreciation to the Chairman and the Board of Directors for their guidance and continued support. I would like to welcome our new Chairman who has served on the LOLC board for 11 years. I would like to place on record a special word of thanks to our outgoing Chairperson, Mrs. Rohini Nanayakkara for her invaluable contribution and leadership during her tenure at LOLC. I thank all stakeholders of the Group for their continued patronage and loyalty. A special thank you goes out to the LOLC team for their dedication and unwavering commitment to duty at all times.

Our unblemished track record in all facets, and our agility to stride in volatile market conditions, our forward thinking strategic positioning, above all, our commitment to the growth sectors of the Sri Lankan economy, has made us who we are today and this is what we have achieved together!



Mr. W D K Jayawardena
Managing Director/CEO's Review

Management Discussion & Analysis

Results that speak for themselves

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About this Report

This is the 2nd integrated Annual Report of Lanka ORIX Leasing Company PLC and presents the economic, social and environmental performance, as well as the financial results of the Group for the financial year ended 31st March 2016. The report covers all our operations in Sri Lanka and also our offshore investments in the Maldives, Cambodia and Myanmar.

Reporting Principles

The contents included in this integrated Annual Report are deemed to be useful and relevant to our stakeholders, with due regard to our stakeholders' expectations through continuous engagement, or that the Board believes may influence the perception or decision-making of our stakeholders. The information provided aims to provide our stakeholders with a good understanding of the financial, social, environmental and economic impacts of the Group to enable them to evaluate the ability of the LOLC Group to create and sustain value for all stakeholders.

The information has been obtained from various sources within the group and all content disclosed herein has been first verified for completeness, balance, comparability, accuracy, reliability, timeliness and clarity, in accordance with Group disclosure policies.

Forward-looking statements

This Integrated Annual Report contains certain forward-looking statements, which relate to the future performance and results of the operations of the Group. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may be beyond our control and may occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic conditions, changes in industry environment, interest rates, credit and the associated risk of lending, inventory levels, merchandise clearance rates, inventory levels, gross and operating margins achieved and competitive and regulatory factors.

Financial Review

The year under review was a year of increased challenges for businesses with the external environment becoming more dynamic. Risks are unavoidable for businesses in achieving its long term goals and it's vision. Despite these dynamic forces prevalent in business environment, LOLC Group achieved yet another successful year surpassing many challenges. The Group recorded a profit before income tax of Rs.11.9 Bn, an increase of 45% compared to the previous year of Rs. 8.2 Bn.

The Group which consists of Financial Services, Insurance, Trading, Leisure, Construction and Plantation segments is well diversified and each sector is managed with strategies that will align with the Group's vision. The Financial Services sector which accounts for 82% of the Group's profit before tax (PBT) showed a remarkable growth in terms of growth in the lending portfolio. The Insurance and Trading segments too showed a remarkable increase in revenue showing strong potential for sustainable profitability. Leisure sector properties that are under construction are showing steady progress in line with the completion dates for the projects. The Plantation sector which is the latest addition to the Group is under review and restructure in aligning the companies to the overall Group goals and many strategies are adopted to streamline processes, while diversification is pursued for the long term recovery of the sector.

Aggressive growth in the financial services business resulted in the Total Asset base of the Group reaching Rs. 379.6 Bn. The contribution to the high growth was achieved as a result of the Financial Service sector portfolio which grew by 52% to Rs. 212.8 Bn from Rs.139.9 Bn in the previous year. The main contribution to this growth comes from LOLC Finance PLC, Commercial Leasing & Finance PLC (CLC), LOLC Micro Credit Limited (LOMC) and LOLC Cambodia PLC. Further, BRAC Lanka Finance PLC (BRAC), recently acquired subsidiary of the Group too showed impressive performance and contributed to this growth. The substantial increase in the Financial Service sector lending asset base growth was achieved by the sales team amidst the lower interest rates experienced during the year. A further increase in the assets base was seen due to the acquisitions made in Browns Capital Holdings Pvt Ltd, which consists of two large plantation companies Maturata & Pussellawa at the very beginning of the year. This transaction contributed Rs.19.4 Bn to the total asset base of the Group. The Group continued to increase its investments into the Leisure sector. As a result, the total asset base of the Leisure sector increased to Rs.26.9 Bn compared to the previous year of Rs.23.5 Bn.

Increase in the asset base was funded through equity, internal and external funding sources. The Financial Service sector secured funding needed for the business growth locally as well through a large pool of foreign bilateral and multilateral funding partners. The Group was able to secure one of the largest syndicated funding facilities in the country from FMO and the Asian Development Bank and its allied lending agencies amounting to USD 247 Mn. These funding was raised by the Group demonstrating its ability to raise such funding showing its consistent financial performance capitalising on its long term relations with these institutions. The total borrowing base which include bank borrowings, customer deposits and other debt instruments increased to Rs. 289.2 Bn. This is an increase of 70% over the previous year and in order to fund for the growth in the lending portfolio of the Financial Services sector. Net assets base of the Group increased to Rs.66.4 Bn from Rs.56.1Bn over the year. This was mainly due to the increase in Profit After Tax (PAT) for the year.

During the year the Group's gross income increased by 50% to Rs.66.8 Bn from Rs.44.6 Bn recorded in the previous year. The main contributor to the increase in the gross income came from the Financial Service sector which recorded an income of Rs.49 Bn for the year. Which is a 73% contribution compared with the total gross income. The increase in the interest income is attributed to the increase in the lending portfolio of the Financial Service sector. Revenue represents the income from Trading and plantation sectors. Total income of the Trading sector recorded at Rs.15.4 Bn while the Plantation sector recorded Rs.5.7 Bn. The increase in the revenue is mainly due to the Plantation sector becoming a subsidiary of the Group in the current year, and the revenue of the Plantation sector being 100% included in the Group revenue. Income earned from premium on insurance contracts, documentation fees and profit on termination fee increased to Rs.6.8 Bn from Rs.4.8 Bn to that of the previous year. The increase in the income is in line with the increase in the activities of the Financial Services sector companies including operations of the Insurance segment.

The overheads of the Group increased by 37% to Rs.26.5 Bn from Rs.19.3 Bn. The direct expenses relating to Financial Services sector increased mainly due to the increase in lending activities as well as the increase in quantum of claims pertaining to the Insurance segment which is in line with the growth in the insurance portfolio. Personnel costs increased with the addition of the two plantation companies which was not reflected in the previous year.

With the concentrated efforts of collections by the recoveries teams of the Financial Services sector companies, a significant reduction was seen in the impairment cost of Rs. 1.2 Bn, a drop by (28%). Expenses relating to depreciation and amortisation increased to Rs 1.6 Bn during the year from Rs.1.1 Bn, mainly due to the acquisition of the two Plantation sector companies during the year.

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Financial Review

On the operations of the associate companies, these investments yielded an impressive growth with returns to the Group increasing to Rs. 3.1 Bn compared to the Rs. 2.1 Bn recorded for the previous year. Profitability in this segment was mainly achieved from two companies, namely, Seylan Bank PLC and PRASAC Cambodia.

The Group recorded a PBT of Rs. 11.9 Bn during the year, an increase of 45% over the previous year. After considering the impact of income tax, the Group recorded a profit after tax of Rs.9.3 Bn which is an increase of 48% over the previous year.

Lanka ORIX Leasing Company PLC (The Parent)

Lanka ORIX Leasing Company PLC (LOLC) is the holding Company, which makes investments into strategically important sectors and provides shared services to the Group companies. During the year the total asset base of the Company reached Rs.75.5 Bn which shows the current strength as well as the future potentials.

The asset base of the Company includes the investments in subsidiaries and associates and fixed assets. The lending portfolio of the Company continued to shrink as the lending book commissioned in its previous operation as a leasing company saw its final stages.

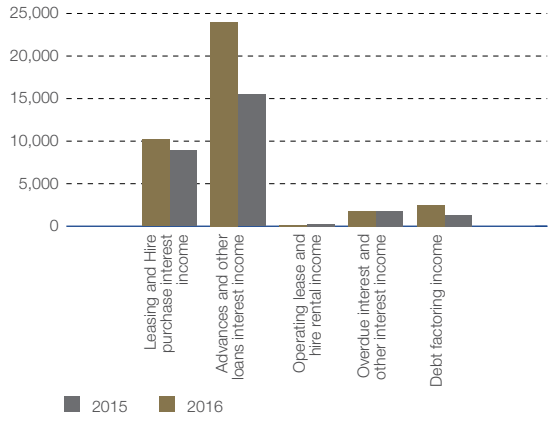
LOLC's main activity includes providing shared services and lending to the Group companies and the gross income earned on these services increased to Rs.4.8 Bn during the year from the previous year Rs.2.9 Bn. Interest income, mainly earned through providing working capital to related companies recorded Rs.1.9 Bn increasing from Rs.988 Mn in the previous year. Total overhead of the Company increased marginally to Rs.805 Mn, an increase of 4.6% over the previous year, as a result of the general price increase in the market. The Company recorded a PBT of Rs.834Mn during the year.

Financial Service Sector

The Financial Services sector of LOLC experienced a challenging year especially with lower interest rates increasing pressure on the margins on the lending business. The sector's borrowings increased to reflect the higher level of portfolio growth. This increased the overall borrowing portfolio during the year. Most of these borrowings were secured through its long standing partnerships with its foreign funding partners who offered funds at attractive terms and conditions.

The contribution from the Financial Services sector remains dominant when comparing with the rest of the sectors and the sector showed remarkable performance in the year completed. The profits contribution from this sector was 82% to PBT. All Financial Service sector companies including the newly acquired companies as well as the overseas operations performed well. LOLC Cambodia PLC continued to yield high results and a positive growth outlook.

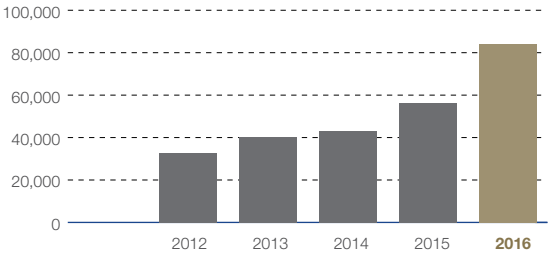
Group Income (Rs. Mn)



LOLC Finance PLC

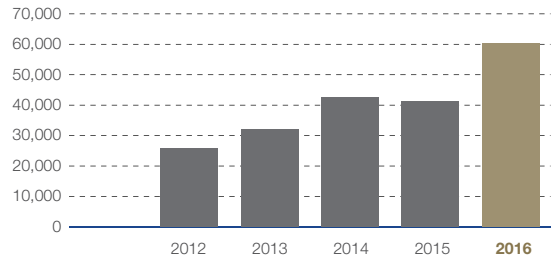
LOLC Finance continued to show positive results in the year completed despite many challenges in the external environment. Interest rate pressure being the most critical increasing factor on the lending portfolio which consist of loans and advances, leases and Hire purchase and factoring portfolio grew by 50%. The Factoring portfolio showed significant growth of 119% and stood at Rs.13.6Bn .The loan portfolio expanded from Rs. 36.6 Bn in 2015 to Rs. 53.3 Bn at end of the year, growing by 46%, while the leasing portfolio which is a more mature portfolio showed modest but commendable growth of 31%.The gross lending portfolio of the IBU stood at Rs.10.8 Bn which was 13% of the lending portfolio of the Company. The IBU portfolio performed exceptionally well in the current financial year and achieved a growth 52% over the previous year's Rs 7.1 Bn by portfolio basis.

Net Lending Portfolio (Rs. Mn)



LOLC Finance experienced a significant growth in the customer deposits during the year, which resulted in the deposit base of the Company growing by over Rs. 19 Bn (46% growth) to Rs. 60.2 Bn. The growth was primarily propelled by the inflow of conventional fixed deposits which grew by Rs. 17 Bn. The Islamic Business Unit's Mudharabah and Wakala deposits showed a growth of Rs. 1 Bn and foreign currency deposits and savings deposits contributed to the remaining growth recording Rs. 370 Mn growth compared to last financial year.

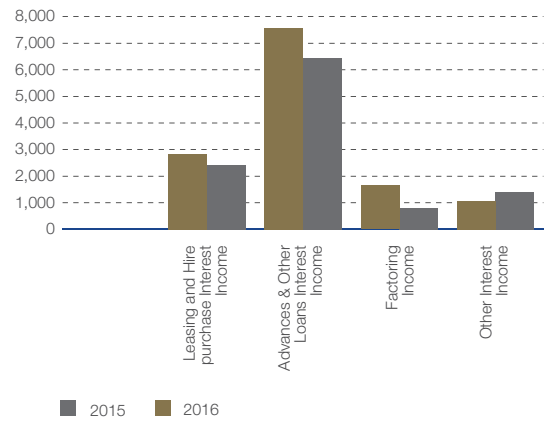
Deposits (Rs. Mn)



Conventional fixed deposits remains the Company's primary source of funding and stood at Rs. 48 Bn at the year end compared to Rs. 32 Bn in the previous year. Deposits from the IBU grew by 33% from Rs. 5.2 Bn in 2015 to Rs. 5.9 Bn in 2016. The foreign currency base of the Company was in the range of Rs. 1.6 Bn - 2 Bn over the two years. During the current period, in addition to mobilizing customer deposits, the Company also focussed on bank and other borrowings to support its portfolio growth. As a result the borrowing base increased to Rs. 35 Bn from Rs. 11 Bn in 2015. This includes a USD 69 Mn long term loan from ADB which was obtained in the latter part of the financial year in a landmark syndication loan. The exchange risk arising from this foreign currency borrowing is managed effectively by way of forward exchange contracts and foreign currency deposits.

The Company continued to maintain its growth momentum in interest income, reaching Rs.13 Bn during the year. This was a growth of 21% compared from the previous year top line and is a considerable achievement given the low interest regime that prevailed during the year. The growth was mainly a result of the Company taking active steps to increase its lending portfolio to counteract the reduction in the interest rates. The interest

Income (Rs. Mn)



expense of the Company showed an increase during the year, from Rs. 4.9 Bn in 2014/15 to Rs. 6.5 Bn in 2015/16 representing a 31% increase. This was mainly due to the additional borrowing made via mobilizing deposits and bank borrowings to support the portfolio growth.

The growth in the top line together with the increment in the borrowing cost resulted in the Company reporting a net interest income of Rs. 6.6 Bn which is a 13% growth over the comparative period's net interest income of Rs. 5.9 Bn. The total other direct expenses and overheads grew by 26% and amounted to Rs.4 Bn in line with the expansion and growth in the Company's operations.

In terms of profitability, though the operating environment showed a low interest regime and as a result low interest margins, the effective strategies implemented to grow the portfolio and curtail the credit losses by the Company established it to sustain the profitability at the previous year level and reported a PAT of Rs. 1.4 Bn compared to the previous year of Rs. 1.5 Bn.

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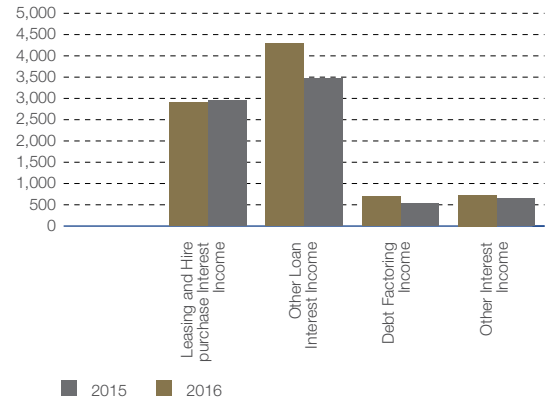
Commercial Leasing & Finance PLC

During the year, the Company sustained strong credit expansion, grew its net lending portfolio including factoring from Rs. 33 Bn to Rs.46.8 Bn which prompted the highest ever lending growth recoding a rupee growth of Rs.13.8 Bn. The net lending portfolio accounts for 55% of the total assets, a reduction of 23% from 78% in the previous year.

Borrowings of the Company increased from Rs.19.7 Bn to Rs. 57.3 Bn. The reason for the increase in borrowing is that the Company received a syndicated loan amounting to USD 153.1Mn led by FMO. This is the largest syndicated loan obtained in the history of the Non - Bank Financial Institution sector in Sri Lanka. This syndicated loan consisting of a senior loan of USD 39.2 Mn from FMO, the Dutch Development Bank and a USD 113.9 Mn syndicated loan from 11 funding partners. The Company raised a further Rs.5 Bn through a 5-year listed senior debenture during the period under review with the objective of growing the portfolio and minimising maturity mismatches in assets and liabilities. The customer deposit base grew from Rs.9.4 Bn to Rs.12.0 Bn, a growth of 28% over the last year despite fluctuating interest rates and the pressure to maintain margins.

Interest income on leasing and loans increased to Rs. 2.9 Bn and Rs. 4.3 Bn from Rs. 2.8 Bn to and Rs. 3.5 Bn respectively. Interest income from hire purchase declined from Rs. 122 Mn to Rs. 14 Mn with the reduction in hire purchase business carried out by the Company. Leasing and loan interest income are the main contributors to the total interest income and represents 83%. The factoring income stood at Rs. 703 Mn, with a remarkable increase of 35% from Rs.521 Mn over the previous year.

Income (Rs. Mn)



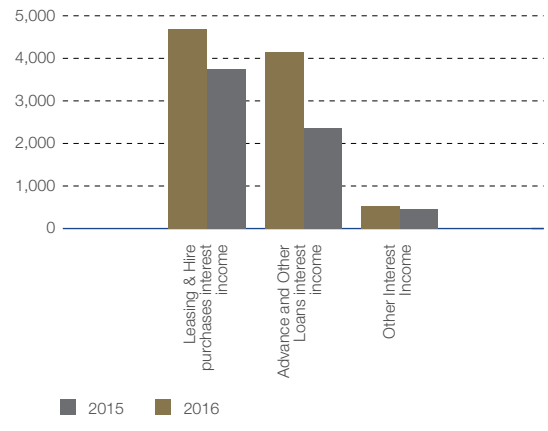
Interest expense of the Company significantly increased by 44% to Rs. 3.5 Bn from Rs.2.4 Bn due to higher funding cost that supported the aggressive business growth. The main reason for the increase in interest expense is the borrowing cost of foreign loan obtained from FMO amounting to USD 153.1 Mn and back-to-back financing. The Company generated profit before income tax of Rs.2.0 Bn a growth of 16% in comparison to the previous year from Rs. 1.7 Bn.

LOLC Micro Credit (LOMC)

LOMC concluded yet another successful year showing increase of profitability, high growth in the lending portfolio and income. The efforts of the Company in the previous years to expand its reach to customers was successful as evidenced by its lending portfolio growing significantly. This was achieved by strong brand recognition, a rich customer footprint and the trust that customers have placed in the Company's financial strength.

The 52% growth in the lending portfolio was complimented by all the major products offered by the Company. The loan portfolio expanded from Rs. 9.44 Bn in 2015 to
Rs. 19.13 Bn at the end of 2016 growing by 103%, while the leasing portfolio which is a more mature portfolio showed modest but commendable growth of 22%. In order to fund the growing lending book, the Company was able to secure loans locally as well as from foreign partners. As a result the borrowing base increased to Rs. 35 Bn from Rs. 22 Bn in the year 2015. This includes USD 130 Mn and Eur 18 Mn long term loans obtained from foreign funding institutions who have been with the Company for a very long period. The exchange risk arising from these foreign currency borrowings are managed effectively by way of forward exchange contracts and foreign currency deposits.

Income (Rs. Mn)



The growth in the top line together with the increment in the borrowing cost resulted in the Company reporting a net interest income of Rs. 5.63 Bn which is a 25.34% growth over the comparative period's net interest income of Rs.4.49 Bn.

The continuous follow up on NPLs and monitoring mechanism enabled the Company to curtail the provision for impairment losses at Rs. 609 Mn for the current year compared to Rs.586 Mn in the previous year, maintaining the credit cost at the same level. This is a significant achievement considering the 52% growth in the lending portfolio. Further, the provision and write-off expenses compared to the average portfolio was 2.05% (2014/15: 5.45%) The total other direct expenses and overheads grew by 65% and amounted to Rs.3.58 Bn in line with the expansion and growth in the Company's operations.

In terms of profitability, though the operating environment showed a low interest regime resulting in low interest margins, by effective strategies being implemented to grow the portfolio and curtail the credit losses, the Company was able to record higher profitability in the current year and reported a PAT of Rs. 1.6 Bn (2014/15 Rs.1.1Bn).

LOLC Insurance (LOIC)

Since commencing operations in 2011, LOIC has experienced rapid growth in its overall business performance as evidenced by increase in premiums. LOIC the composite insurance arm of the Group which consist of general and life insurance continued to expand its presence in the island. Following the new regulation issued by the Insurance Board of Sri Lanka (IBSL) LOLC Insurance was segregated into LOLC General insurance Ltd & LOLC Life Assurance Limited. Both businesses saw strong growth with the regional expansion through the LOLC branches and the resultant gross written premium surpassed Rs.4.3 Bn which is an increase of 51% over the previous year.

LOLC General Insurance Limited is a full service, general insurance operator offering a range of retail and corporate-insurance products. LOLC General Insurance Limited recorded a Gross income of Rs.2.8 Bn during the year and LOLC Life Assurance recorded a revenue of Rs. 1.5 Bn mainly due to the increase in the new business on term life and long term life products. The increase in business required additional reserving for both general and life and the respective technical reserve funds reached Rs. 1.5 Bn for General and RS. 2.1 Bn for life.

BRAC Lanka Finance PLC (BRAC)

BRAC the new addition to the Group's Financial Services sector recorded an impressive growth since the acquisition by the Group. BRAC mainly serves the needs of micro clients. Net total portfolio grew by 165% to Rs.7.9 Bn from Rs.3.0 Bn in the previous year. The strong growth in the lending portfolio mainly achieved through alignment of the Group processes and practices into the business. The Company recorded a PBT of Rs. 260 Mn during the year. BRAC's growth shows the potential of becoming another significant company to represents the Financial Service sector of the Group.

Foreign Operations

The Group invested in foreign companies in line with its strategy to expand the operations beyond the local market. The Group's investment in LOLC Cambodia PLC in Cambodia, a subsidiary of the Group, recorded an impressive growth in terms of profitability as well as growth in the lending portfolio. LOLC Cambodia recorded a PBT of Rs. 2.4 Bn for the year under review and portfolio stood at Rs.30.9 Bn. Also the Group's investment in PRASAC Cambodia Ltd, an associate company of the Group, yielded high results to the Group in terms of Profitability contribution of Rs.1.6 Bn for Group share of holding. The Group also made an investment in LOMC Myanmar Micro Finance Company Ltd. The Group sees great potential in these growing nations and investments made will capitalise on these growing opportunities.

Trading Sector

The Trading sector of the Group represents mainly the Brown & Company providing a variety of trading services. The Company recorded a PBT of Rs.1.1 Bn during the year compared to the PBT of Rs 577 Mn in the previous year. The outstanding performance comes as the restructuring of the entire business operations of Browns being completed. The total revenue of the Company recorded Rs.15.4 Bn mainly from the revenue earned through Trading and investment related activities.

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Leisure Sector

The Group sees future potential for the Leisure sector investments as the number of tourist arrivals increase year-on-year. The Group's interests in the Leisure segment include four existing Resort hotels, namely the Eden Resorts & Spa, Dickwella Resorts & Spa Pvt Ltd, The Calm Resort & Spa and the Paradise Resort & Spa. Kosgoda Beach Resorts and Riverina Resorts ("Riverina Hotel") which are under construction, are the merged entity of the Group's prior resort hotels, Palm Garden, Riverina and Tropical Villas, and they are expected to be completed in line with the forecasted completion dates. Once completed, the Riverina Hotel is expected to be Sri Lanka's largest five-star beach resort with a total of 363 rooms. With the intention of expanding the business in the region the Leisure sector acquired properties in the Maldives.

The total investment in the Leisure sector asset base amounted Rs.26.9 Bn. The Group expects steady returns on the investment in near future with all these properties commencing full operations and generating cash inflows. This sector did not make profits in the financial year but recorded a loss of Rs.617 Mn.

Plantation Sector

The Group's investment in this sector consists of Maturata and Pussellawa Plantations, two subsidiaries of the Group. The restructuring process that took place in the previous year continued in order to align these companies with LOLC's strategy and processes in order to enhance productivity and efficiency with the intention of these companies becoming profit generating businesses.

The Plantation sector recorded an income of Rs.5.7 Bn during the year and the segment recorded a loss of Rs.669 Mn mainly due to the fall in the agricultural prices in the tea and rubber sectors due to volatility in world market prices and demand for the products. The total asset base of the plantations stands at Rs.19.4 Bn.

New businesses acquired or undertaken by the Group is expected to be reshaped and aligned to the Group's business strategies and business processes to derive long term profitability. The existing financial services businesses and Trading sector businesses will derive sustainable profitability for the Company in years to come, providing a strong backbone to the financial strength of the Group.

Financial Services

LOLC Finance PLC

Underpinned by strong brand recognition, LOLC Finance PLC posted a solid performance in the current financial year as well, further consolidating its position as a key player in Sri Lanka's Non-Banking Financial Institution (NBFI) sector. Meanwhile, with LOLC Finance now having one of the most geographically dispersed branch networks when compared to some industry stalwarts, many of whom have been in business for much longer, it was decided that expansion of the LOLC Finance footprint would henceforth be done selectively. Accordingly, only two new branches were opened in the current financial year, bringing the total number of branches on the network to 136 by end-March 2016.

Encouragingly, the efforts deployed in the past to expand the islandwide reach together with ongoing product diversification strategies culminated in producing unprecedented results in the year under review, with both the lending portfolio and deposit base reaching record numbers as at 31st March 2016.

- The efforts deployed in the past to expand the islandwide reach together with ongoing product diversification strategies of LOLC Finance culminated in producing unprecedented results in the year under review.
- It was an eventful year for LOLC's SME and Development Finance SBU with turnover reaching a record Rs. 58.1 Bn for the year under review, signalling a year-on-year growth of 41%.
- To differentiate LOLC Micro Credit's offerings from peers, the company continues to focus on developing an optimum mix of market-driven products, coupled with unparalleled service delivery.

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Financial Services

Sector Highlights

Growth
41%

Gross Income
Rs. **49** *Bn*

Growth
37%

Profit Before Tax
Rs. **9.6** *Bn*

Total Assets
Rs. **353** *Bn*

The total assets of the Company stood at Rs. 110 Bn compared to Rs. 68 Bn at the end of the last financial year, pointing to a robust growth of 63%, mainly the result of aggressive steps taken to drive volumes of the factoring, leasing and loan portfolios. Growth in the loan book in turn helped the Company to sustain profitability and table a PAT of Rs. 1,427 Mn for the year ended 31st March 2016, more or less on par with the previous years' figure of Rs. 1,484 Mn. Coming at a time when many in the industry found themselves burdened by thinning margins amidst persistently low interest rates, LOLC Finance's consistent performance is seen as a commendable achievement.

Despite the low interest rates that prevailed for much of 2015, LOLC Finance did also manage to attract a steady inflow of customer deposits, resulting in a 46% increase in the volume of deposits mobilised. Consequently, the deposit book ended the year at Rs. 60.2 Bn, making LOLC Finance the largest Company in terms of customer deposits in the NBFI sector. This is yet another significant milestone in LOLC Finance's 15-year history, which is entirely due to the trust placed in the company by its customers. In recognition of this landmark achievement 12,588 new VISA debit cards were issued to savings depositors, allowing them to access their savings accounts via the global network of VISA enabled ATM's, while the SMS alert facility was also introduced to enable customers to keep a regular tab of their account.

LOLC Finance attracted a steady inflow of customer deposits, resulting in a 46% increase in the volume of deposits mobilised. Consequently, the deposit book ended the year at Rs. 60.2 Bn, making LOLC Finance the largest company in terms of customer deposits in the NBFI sector.

As always, LOLC Finance remained firm in its commitment to serve all customers and on going efforts to enhance the service parameters led to the launch of the CEFTS platform as a follow up to the SLIPS interbank electronic fund transfer system that was introduced in the previous financial year in partnership with Lanka Clear (Pvt) Ltd. In addition to all the features of SLIPS, CEFTS supports instant fund transfer that affords even greater convenience to the customer.

The ORIX realtime mobile banking app, rolled out in the latter part of the previous financial year also gained traction in 2015/16 and the growing number of customers signing up for the facility is an indication of the growing appetitive for increasingly convenient digital channels. The ORIX realtime concept is only the first step in LOLC Finance's long term digital transformation aimed at enhancing service delivery and securing a competitive edge in the market in the years ahead.

Commercial Leasing & Finance PLC (CLC)

Despite numerous regulatory changes that caused a certain degree of uncertainty in the immediate operating environment, Commercial Leasing & Finance PLC (CLC) remained resilient, delivering a healthy performance for the year under review. Further

consolidating its position as a key contributor to the Group performance, CLC registered turnover of Rs. 8.6 Bn up by 14% over the previous years figure of Rs. 7.6 Bn. Profits too were the highest-ever, with PBT reaching Rs. 2 Bn as at 31st March 2016, 16% more than the Rs. 1.7 Bn tabled in the previous year. All other KPI's also bettered their performances, mainly on account of the diligent strategic agenda deployed by the Company to drive growth, amidst the challenges in the operating environment.

Asset growth remained consistently strong, with both the loan book and the factoring portfolio reaching unprecedented growth levels at 37% and 105% respectively, in effect the result of the successful client acquisition strategies initiated by the Company to leverage on the low interest rate environment and widen the exposure to existing markets, while penetrating into new market segments, such as Microfinance and Islamic Finance. Hand in hand with these growth initiatives, the Company further intensified recovery strategies, a move that led to a 57% reduction in the impairment provision for the year under review, with NPL ratio standing at 1.09%, well below the industry average of 5.45%.

Meanwhile, despite the low interest rates, CLC's deposit base also increased by 27%, a clear indication of the growing customer confidence in the CLC brand, in turn signaling the effectiveness of the ongoing brand building efforts aimed at reinforcing CLC's proposition to each target market. Moreover, as part of CLC's core growth strategy to develop the islandwide reach, the Company launched an ATM/Debit card to allow customers to access their savings from over 800 VISA enabled ATM's located across the island.

CLC achieved another significant milestone in the current financial year as the first Non-Banking Financial Institutions in the country to provide customers with the CEFTS and SLIPS facility, the electronic fund transfer channels operated by Lanka Clear (Pvt) Ltd. The move is intended to support CLC's online banking platform by allowing Savings Account holders the convenience of making online real-time electronic fund transfers to perform their retail banking transactions or make inter-bank transfers, at any time and from anywhere.

In yet another first, CLC became the recipient of the largest-ever syndicated loan granted to a Sri Lankan Non Banking Financial Institution. Amounting to USD 153.1 Mn, the loan was granted by a consortium-led by FMO (Financierings Maatschappij Ontwikkelingslanden), the Dutch Development Bank, acting as the Mandated Lead Arranger and Facility Agent along with 11 other funding partners. The fund tranche would be mobilised for the development of business activities in the coming years.

CLC became the recipient of the largest-ever syndicated loan granted to a Sri Lankan Non Banking Financial Institution, amounting to USD 153.1 Mn.

SME & Development Finance

It was another eventful year for LOLC's SME and Development Finance SBU with turnover reaching a record Rs. 58.1 Bn for the year under review, signalling a year-on-year growth of 41%. While the customary lending mix comprising of individuals, SME's and the smaller corporates, remained unchanged, the marketing agenda for the year was designed primarily to grow volumes by leveraging on the underlying market dynamics in each of these customer segments. The core product propositions for each customer segment were then carefully re-examined, with the intention of strengthening each customer segment by promoting greater financial inclusion, especially among individuals and SME's. Achieving this objective meant sharpening the market responsiveness of all core products on the lending portfolio vis-à-vis greater product diversity and a strong emphasis on value-added-services.

A series of innovative new developments were introduced during the year, to enhance the profiles of key products. Notable among these was the expansion of the "Speed Draft", LOLC's flagship lending product, which having previously facilitated only the working capital requirements of SME's, was

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extended to accommodate a host of other personal and individual needs, including educational loans and business start-up loans among others. The resulting upsurge in demand for the product pushed up total disbursements for the year, which rose to Rs.14.3 Bn, up 63.28% from the figure recorded in the previous year, while the total "Speed Draft" portfolio crossed the landmark Rs. 10 Bn mark to reach Rs. 17.8 Bn as at 31st March 2016.

Another significant change was the extension of the flexi-loan parameters, which was prompted by the immense popularity of the product. Among the new changes brought in during the year was the introduction of personalised flexible settlement plans extending up to 10 years, a move that was well received by the market as evidenced by the unprecedented, 8.48% increase in disbursements compared to the previous year. Consequently, the flexi loan portfolio edged up to Rs. 5.22 Bn as at 31st March 2016.

Meanwhile, the decision to introduce the "Flash Loan" was in response to the seemingly obvious dearth of short/medium term facilities accessible to top-tier SME's. Since its introduction in August 2015, the "Flash Loan" concept has proved to be a firm choice in this market segment, leading to good growth in the six months since its launch.

To complement the enhancements made to the lending portfolio, aggressive localised campaigns were also launched in order to deepen the market penetration and tap into a larger cross section of the islandwide SME market. Catalysed by these high-intensity campaigns, all core products showed promising growth during the year, leading to a year-on-year increase of 50% in the SME & Development Finance loan book as at 31st March 2016.

LOLC Micro Credit Ltd closed the year with 348,000 active customers, having attracted a record number of new customers owing to the favourable interest rates in the first three quarters of the financial year.

LOLC Micro Credit Ltd (LOMC)

Spurred by the mission to develop a new generation of micro entrepreneurs, LOMC remains fully committed to provide financial access to the unbanked rural masses, in tandem with the national development goal that seeks to facilitate greater financial inclusion in Sri Lanka.

Being a relatively underserved market, Sri Lanka's Microfinance sector continues to attract an ever-growing number of service providers, making it one of the most competitive sectors in the country at present. Amidst this backdrop, LOMC's mandate is to ensure a responsible lending proposition that will also make a healthy contribution to the Company's bottom line.

To differentiate LOMC's offerings from peers, the Company continues to focus on developing an optimum mix of market-driven products, coupled with unparalleled service delivery, in a bid to retain and expand the customer base and grow market share in existing customer segments, while also penetrating potential new market segments.

Testifying to the success of these efforts, the Company closed the year with 348,000 active customers, having attracted a record number of new customers owing to the favourable interest rates in the first three quarters of the financial year. Consequently, the loan book grew by 50% year-on-year, edging up to Rs. 39.343 Mn as at 31st March 2016.

Meanwhile, stringent cost control measures and cost effective strategies were initiated to maintain a healthy cost-to-income ratio for each product. To complement these efforts, steps were also taken to enhance the risk management requirements for loans and strengthen the internal control function, while recovery activities were diligently monitored to safeguard the bottom line against the negative impact caused by non-performing loans. The success of these measures are reflected in the PBT for the current financial year, which rose by 36% to Rs. 2.13 Bn, from the Rs. 1.57 Bn recorded in the previous financial year.

BRAC Lanka Finance PLC (BRAC)

Completing its first full year of operations under the Group banner, BRAC Lanka Finance PLC, tabled an impressive performance with a turnover of Rs.1.86 Bn and PBT of Rs. 260.38 Mn, signifying robust growth of 258% and 33% respectively compared to the previous year, which suggests a complete turnaround in performance.

Despite the reliance on a single-product lending model, the Company's loan portfolio registered a remarkable, 159% increase, up from Rs. 3 Bn in the previous year to Rs. 8 Bn as at 31st March 2016. The customer base too, increased from 65,000 at the beginning of the year to 244,000 by the end of the current financial year, all of which points to the success of the Company's sales pitch in driving BRAC's unique value proposition to its target market; economically active female entrepreneurs in rural areas across Sri Lanka.

The fundamental differentiator of the BRAC USP continues to be its 100% female sales force and as the key business driver, a series of ongoing competency development programmes were rolled out in order to improve the skill levels of the 360-strong female sales force. At the same time, to manage the challenges associated with running a rural operation, with a predominantly female field force, the benefit structure offered to these employees was also revamped to improve overall efficiency and motivate them to achieve targets.

This was coupled with a series of operational improvements to enhance the efficiency of the disbursement process and streamline the collection mechanism, allowing each member of the sales force to increase their case load, leading to greater efficiency and lower costs. The Company also commenced talks with a leading credit rating agency to introduce CPP (Client Protection Principles), the global standard for best practices and good business ethics for companies involved in Microfinance.

Moreover, as strong business growth began to emphasise the limitations of the single-product IT framework, the Company invested in new IT software in order to facilitate product innovation and carry out portfolio diversification goals. Following the migration to the new IT system in February 2016, a pilot project to promote micro leasing among the existing customers was initiated, a strategy that has shown strong results within the year itself.

Further measures to improve the versatility of the offerings included efforts to encourage the savings culture among the existing customer base. However, the lack of structured savings products, low branch penetration levels and the absence of a widespread ATM network, were found to be the main challenges that prevent the Company's efforts to promote the savings habit amongst customers. As a first step towards overcoming these challenges, the groundwork was laid for the launch of a structured savings product bundled with an ATM card that will allow customers to access their savings through over 800 VISA enabled ATM's across the country, with the product scheduled to be launched in the second half of 2016.

The customer base of BRAC increased from 65,000 at the beginning of the year to 244,000 by the end of the current financial year, all of which points to the success of the Company's sales pitch in driving it's unique value proposition to it's target market.

LOLC Factors Ltd (LOFAC) (Working Capital Business Unit)

LOLC Factors Ltd (LOFAC) is the first factoring company established in Sri Lanka and still considered to be the vanguard in the industry. It continues to be the market leader in the factoring business despite intensifying competition from the growing number of new players entering the market in recent years.

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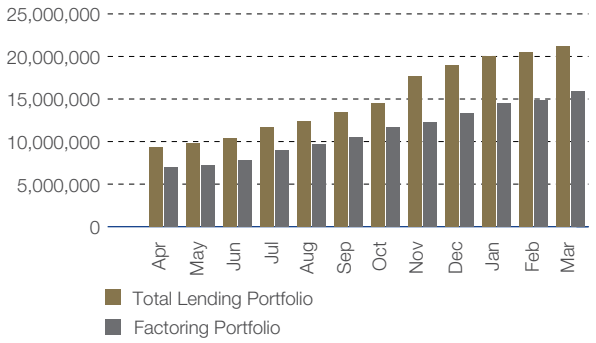
The year under review has been a remarkable year in the history of LOFAC. The Company achieved a record breaking growth in portfolio and income.

Key achievements during the year:

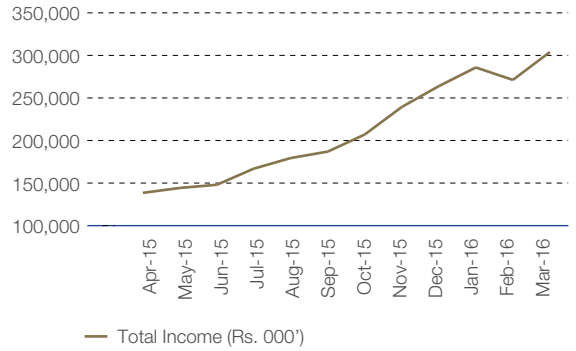
- Total lending portfolio grew by a significant Rs. 12.06 Bn which is an increase of 131% over the previous year.
- Total lending portfolio reached the highest level of Rs. 21.25 Bn, which included Rs. 5.30 Bn in loans.
- The factoring portfolio also recorded a significant growth of Rs. 9.45 Bn to close the year at Rs. 15.95 Bn, a phenomenal 145% growth over the previous year.
- Achieved highest ever gross income of Rs. 2.53 Bn during the year.

Portfolio growth including Factoring and monthly Gross Income for the year is illustrated below:

LOFAC Lending Portfolio (Rs. 000')



The Increase in Monthly Gross Income During FY 2015/2016



LOFAC also continued to record the highest gross interest margin within the Financial Services sector of the Group. It is noteworthy that this achievement is in addition to maintaining its position as the business unit with the lowest costs.

LOFAC's strategic growth plan to introduce factoring services islandwide is in progress, and the resounding success for the year largely underpinned the aggressive efforts to extend the reach by leveraging on LOLC's extensive branch network and promote LOFAC's USP to a wider customer base across the island.

Islamic Business Unit - Al-Falaah

The Al-Falaah Islamic Business Unit continued to make good progress tabling a record profit before tax of Rs. 515 Mn for the year under review, 52% higher than the Rs. 339 Mn registered in the previous financial year. Total assets crossed the Rs. 10 Bn mark to reach Rs. 10.8 Bn at the close of the year, driven by growth of Rs. 3.7 Mn in the loan book.

All individual lending products also demonstrated strong growth, while the newly launched "Wakala Lending", a lending product that supports the working capital requirements of the SME sector, proved to be immensely popular among the target market, exceeding growth targets set for the year under review.

Further efforts to develop, expand, and improve services and pivot future growth prompted Al-Falaah's front-line operations to be relocated to a newly set up office in Darley Road, which would function as a stand-alone Corporate Office as well as a Corporate Branch linked to the City Office located at 481, T.B. Jayah Mawatha Colombo 10.

A second corporate center was launched in Kandy, affiliated to the main LOLC branch, bringing Al-Falaah's islandwide stand-alone network to seven, inclusive of the centers located in Akkaraipattu, Kalmunai, Kattankudi, Oddamavadi and Akurana. Meanwhile, selected Al-Falaah services continue to be offered through the standard LOLC channel network of over 120 locations across the country.

In recognition of the progress made in promoting Islamic Finance in Sri Lanka, Al-Falaah was adjudged the runner-up at the IFN Best Bank Polls 2015: Best Islamic Leasing Provider Category (Overall) 2015, Islamic Finance Forum South Asia (IFFSA) Awards 2016: Social Upliftment Gold Award and Islamic Finance Entity of the year Silver Award for the financial year ended 2015, adding to the numerous awards received over the years.

LOLC Insurance (LOIC)

It was a year of heightened activity for LOLC Insurance (LOIC), the composite insurance arm of the Group, where the main focus was to sharpen the alignment of the two main business segments in order to create a scalable platform for future growth. Stemming from this objective, LOIC's Life and General insurance businesses were segregated with effect from 1st October 2015, a move that further complies with Section 53 of the Regulation of Insurance Industry (Amendment) Act No. 3 of 2011, issued by the IBSL.

The Life business is now carried out through LOLC Life Assurance Ltd, while Non-Life business comes under the purview of LOLC General Insurance Ltd. Following the spilt, a more focused approach was adopted to develop each business pillar. In the relatively under-penetrated Life insurance business, the main priority was to stimulate demand by creating widespread awareness regarding benefits associated with Life Insurance Solutions. The main strategic thrust for the General business was twofold; to consolidate existing markets, while making inroads into yet untapped market segments across the country, vis-à-vis product diversity and effective channel management.

Being fully owned sub-subsidiaries of Lanka ORIX Leasing Company PLC, both LOLC Life & LOLC General then fully leveraged on the strengths of the Group to expand its islandwide reach and drive growth across target market segments.

Underpinned by the widespread regional expansion across the LOLC branch network, both categories registered strong volume growth in the year under review.

The Gross Written Premium (GWP) of the General insurance business surpassed Rs. 2.5 Bn, an increase of 36% over the previous year, which is also well above the industry average of 13.18% for 2015. Given the highly price competitive environment surrounding the General insurance business in Sri Lanka, this is seen as a commendable achievement, which points to the successful strategies deployed by the Company to broaden the market share.

The GWP of the Life assurance segment touched Rs. 1.2 Bn, a year-on-year increase of 104%, phenomenally higher than the 20.14% average recorded by the industry in 2015. Meanwhile, LOIC's total composite GWP increased by 53%, from Rs. 2,480 Mn in the previous year to Rs. 3,783 Mn for the year under review.

The increase in operational activities did however lead to higher expenses, including net claims, for both General and Life Insurance, which rose by Rs. 348 Mn and Rs. 32 Mn respectively, compared to the previous year. The growth in business volumes called for higher technical reserves to be maintained, which as at 31st December 2015 stood at Rs. 2 Bn for General and Rs. 1.4 Bn for Life. While a culmination of these factors did apply some stress on the bottom line, prudent underwriting, focused claims management, sound investment policies and dynamic marketing strategies helped both businesses to achieve performance expectations for the year under review.

LOLC Securities Limited (LOSEC)

It was a difficult year for LOLC Securities Limited (LOSEC), as was the case across the industry. The uncertain macro-economic environment caused by two successive elections, meant trading activity at the Colombo Stock Exchange was sluggish for most of 2015, causing a drop in the All Share Index (ASPI) and the S&P SL20, both of which ended the year significantly lower than the year before. Meanwhile, the CBSL's decision to raise the Statutory Reserve Ratio (SRR) from 6% to 7.5% with effect from December 2015, followed by the increase of the benchmark interest rates by 50 basis points (from 7.5% to 8%) in February 2016 also had a negative impact on the stock market in the latter part of the current financial year, with average daily turnover volumes recording year-on-year drop of 35% as at 31st March 2016.

This performance was mirrored across LOSEC's retail broking segment as well, where a sharp drop in volumes was observed despite the ongoing workshops aimed at educating the investors and attracting new clients from across the island. With the retail-trading arm under stress, the Company took proactive steps to convert key strategic commitments made in the previous financial year, in part to cushion the negative impact on the current year's revenue, but mainly to reduce the dependence on retail brokerage revenue in the long term.

Acting on the previous year's decision to expand the network of foreign institutional investors, an Introducer Agreement was signed with one of the largest investment banks in the world, paving the way for LOSEC to access a broader spectrum of overseas clients, an area which has traditionally been restricted only to a few local broking houses. Despite being in its preliminary stages, the collaboration delivered good results in the current financial year itself, signalling its potential to become a major revenue driver in the years to come.

The Company also continued with the customary overseas investment promotion drive, conducting road shows in the UK to promote Sri Lanka as a potential destination for equity investments. The feedback from these road shows have been encouraging, with a majority of participants showing keen interest to invest.

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Another key focus area for the year was the development of new business ventures, a move that prompted the launch of LOLC Capital One in January 2016, a new investment banking unit that is expected to complement the broking services offered by LOSEC.

From an operational perspective, LOSEC continued to invest in sharpening its research capabilities, in order to provide clients with a vibrant range of investment options.

To its credit, the Company's independent research function has built strong reputation in the market and gained the trust of investors and peers alike, within a short span of time. In fact, 2015/16 was a year of recognition for the Company's research team, as evidenced by the strong performance in CFA Capital Market Awards 2015. LOSEC bagged both Gold and Silver awards for the "Best Research Report 2015" beating out contenders from an industry of 28 players, a commendable achievement, given that LOSEC is one of the newest stock broking companies in the industry.

While the trading at the CSE is likely to be fraught with short-term uncertainty, the expected upturn in the country's economy suggests strong medium term prospects for the stock brokering industry, with the industry also expected to play a pivotal role in reviving Sri Lanka's capital markets. For its part, LOSEC remains committed to leverage on these market dynamics to generate an early turnaround in performance and improve the scalability of the business in the long term.

Fleet Management

LOLC's Fleet Management business unit made steady progress in the current financial year, mainly due to the steps taken to present LOLC's Fleet Management proposition as a strong contender in the market and strengthen the Company's position in the long-term Fleet Management Services segment. The vehicle fleet was enhanced in a bid to broaden the range of options accessible to retail customers and also to encourage corporate customers to upgrade their fleets. Client acquisition strategies to capture a larger share of the corporate market were also intensified. Both tactics culminated in driving up volumes, which registered a year-on-year increase of 5% compared to the previous year.

The Short Term rent-a-car business on the other hand saw only moderate growth, given the strict client evaluation parameters put in place to minimise the risks associated with the traditional rent-a-car concept.

In the meantime however, service levels were upgraded with the introduction of a dedicated customer relationship team, while investments were made to install new remote monitoring equipment to track the movements of vehicles and thereby improve overall productivity of the entire operation.

However, to grow this line of business in the future, the company began setting up the framework to move into the vehicle hire business that specifically targets smaller corporates, SME's and individuals.

LOLC Motors (LOMO)

Having commenced operations as the service provider for the Group's fleet of vehicles, LOLC Motors (LOMO) has since leveraged on its expertise and continues to offer its services outside the Group as well. Now a steady source of revenue for the Company, the vehicle servicing operation generated an income of Rs.15 Mn per month in the current financial year.

To further drive growth of this revenue stream, the Company kicked off an aggressive marketing campaign to grow the external client base, a move that led to a year-on-year increase of 17.4% in client base as at 31st March 2016.

From an operational perspective, steps were taken to renew the company's ISO 9001:2008 certification, ensuring that the Quality Management Systems at the workshop remain up-to-date. To further efforts to differentiate LOMO's offering from peers, amidst the highly competitive environment surrounding the automobile service industry, the Company stepped up efforts to boost service levels and improve turnaround times.

Plans for the future include an aggressive campaign to capture the corporate market by offering customised value added services and signing up for long term maintenance contracts.

LOLC Motors is also registered with the Leasing Association of Sri Lanka (LASL) as a Valuer of vehicles and LOMO's internal valuation unit handles more than 90% of LOLC Finance's and CLC's vehicles. In the current financial year, the services of the valuation unit was expanded covering 33 branches across Sri Lanka, which added a considerable boost to the performance of the unit. The valuation unit tabled an income of Rs. 68 Mn, up 31% from the Rs. 51 Mn recorded in the previous financial year.

Agriculture & Plantations

Agriculture Machinery

As the sole agents in Sri Lanka for the world-renowned "Massey Ferguson" brand of tractors, Browns Agriculture Division has over the years played a pivotal role in the evolution of the country's agriculture sector. As always strengthening the core tractor business was the major priority for the year under review. Having traditionally focused on a single-product model, the strategic agenda for 2015 was aimed at diversifying the product portfolio, which saw the introduction of four new tractor models under the "Massey Ferguson" label. A host of more price competitive brands were also introduced, most significantly the "TAFE" low-horse power tractors from India.

Manufactured using technology on par with the premium "Massey Ferguson" brand, "TAFE" tractors have, within a short space of time become the preferred choice in Sri Lanka's Agriculture sector. In acknowledgement of the progress shown by the "TAFE" brand

- Browns Agriculture was awarded the Chairman Trophy for the "Sustained and Committed Business Performance" by TAFE India.
- The AgStar export division developed a new range of value added Cinnamon products, coupled with aggressive promotional activities with the aim of tapping into emerging niche markets across the world.

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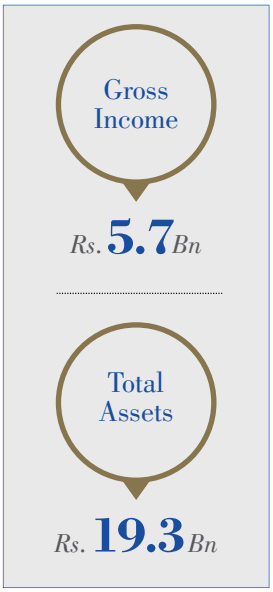
Agriculture & Plantations

Sector Highlights



in Sri Lanka, Browns Agriculture was awarded the Chairman Trophy for the "Sustained and Committed Business Performance" by TAFE India. The division also bagged the Best Sales Performance award, New Product, Eco system & Performance trophy, Long Association award and Service excellence trophy (1st runners up) at the TAFE International business conference held on 19th April 2016, beating competitors from 85 countries to which TAFE products are exported.

Proof of the growing acceptance of the enhanced portfolio, the Browns Agriculture Division maintained its leadership position in the tractor market, with over 57% market share as at 31st March 2016, compared to 46% in the previous year.

To further consolidate the presence in the tractor market, the division introduced a range of complementary agricultural tools for tractors, including mini tillers for coconut plantations and upcountry plantations, rice trans-planters, ridge forming machines and bailers and the "Bull" front loader, among others.

In yet another bold move, the division re-entered the Combine Harvester segment. Having exited this line of business almost five years ago due to the lack of potential, the decision to re-enter was in response to the emerging demand for more efficient and cost effective agricultural solutions. Proceeding with caution, the division first launched the low-capacity "Browns Crop Master" in 2015 in order to test the pulse of the market. However, given the encouraging results registered in a short period of time, the premium Massey Ferguson Combine Harvester was rolled out in June 2015, followed by a tie up with Yanmar Co. Ltd in Japan, which saw the launch of the "Yanmar" branded high capacity Combine Harvesters, making Browns Agriculture the only supplier to market the entire range of Combine Harvesters in Sri Lanka.

Further diversification of the portfolio led to the introduction of a new range of agriculture implements, which was found to be a large underserved segment of the agriculture market in Sri Lanka. Following this decision, a range of Indian-made Fieldking equipment including Tine Tillers, Disk Ploughs and Mould Board Ploughs were launched. In yet another groundbreaking move, the division tied up with Shaktiman Farm Machinery in India to launch, the Browns-Shaktiman Rotavators. Presented as a more affordable option, the "Browns-Shakthiman Rotavator" quickly gained momentum among local farmers and helped the division secure almost 55% market share in the implement market within the space of a few months.

Meanwhile, efforts to strengthen the islandwide reach also gained traction during the year, leading to the appointment of new exclusive dealers and non-exclusive dealers translating into a 62% increase in the total dealer network. At the same time, the

Proof of the growing acceptance of the enhanced portfolio, the Browns Agriculture Division maintained its leadership position in the tractor market, with over 57% market share as at 31st March 2016, compared to 46% in the previous year.

scope of activities carried out by exclusive dealers was expanded by encouraging them to promote combined offers and package deals for the sale of tractors, equipment and implements, a move that delivered good results for the year. A fully-fledged dealer-monitoring mechanism was also rolled out, including an attractive incentive package to reward high-performers who deliver on their volume targets.

From a marketing perspective, the key brand strategy for the year revolved around strengthening the "Browns" brand value and promoting it as the "first choice" in the agriculture equipment market, particularly given the number of new brands now in the portfolio. In doing so, the Company leveraged on its partnerships with major global brands; Massey Ferguson, TAFE and Yanmar to reposition "Browns" as a dynamic and innovative proposition geared to facilitate the needs of Sri Lanka's fast-developing Agriculture sector. Moreover, with the multi-product sales model, upgrading after sales service parameters was another area that demanded attention. Accordingly, substantial investments were made in training and development of the service team, together with the necessary support infrastructure needed to maintain service levels in the long term.

From a marketing perspective, the key brand strategy for the year revolved around strengthening the "Browns" brand value and promoting it as the "first choice" in the agriculture equipment market, particularly given the number of new brands now in the portfolio.

AgStar PLC

In what can only be described as an extremely challenging year, AgStar PLC did well to register a 10% growth in Group Turnover from Rs. 2,100 Mn in 2014/15 to Rs. 2,314 Mn in the year under review. Nevertheless the adhoc regulatory changes that affected various business segments during the year, applied severe stress on the bottom line and the Group registered a disappointing loss of Rs. 53 Mn compared to the profit of Rs. 213 Mn tabled a year ago.

In the Core Fertilizer business, the dual impact of the government's decision to remove the Fertilizer quota followed by the announcement to completely eliminate the fertilizer subsidy had a serious impact on volumes in the final quarter. However, bolstered by the healthy growth registered in the three quarters the Fertilizer business demonstrated its resilience by tabling a Turnover of Rs. 1,459 Mn, for the current financial year, which was only marginally less than the Rs. 1,471 Mn tabled in the previous year. Moreover, aggressive strategies to promote higher yielding products helped boost the bottom-line, and the profit before tax for the core business rose to Rs. 375 Mn in the year under review, compared to Rs. 360 Mn achieved in the previous year.

Further, the government's uneven policy stance regarding Paddy purchasing prices, spelt disaster for the Grains business. And as margins completely bottomed out, the Company was compelled to adopt a wait and see approach to cut losses. Nonetheless, to overcome this formidable challenge, prudent restructuring of the Grains operations helped to drive alternative revenue streams and reduce the dependence on a single product.

Among the other key developments in the Grains unit, was the commissioning of a state-of-the-art rice mill in Anuradhapura, which began commercial operations in June 2015. The newly diversified business however was soon hit by crisis amidst a sharp drop in paddy prices, caused by surplus stocks from a bumper harvest. A large carryover of rice stock imported by the previous government and sold at a loss by state institutions further aggravated this situation. At the same time, the indecisive and often contradictory moves made by the state authorities with regard to the paddy price, only served to exacerbate the situation, causing fresh worries for the Rice Milling business. In this context, major structural changes at the Paddy unit were carried out with a view to increasing overall efficiency of the division, a move that yielded good results, leading to a significant improvement of the seed paddy business along with better utilisation of the processing and storage facilities.

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Meanwhile, the Export division, which exports spices, condiments and organic food, had its share of challenges, prompting the decision to discontinue the export of bulk Cinnamon since 2015, a move that had a negative impact on the Group's bottom line as at 31st March 2016. However, being part of the broader strategy to strengthen export earnings in the long term, the focus then shifted towards developing a new range of value-added Cinnamon products, coupled with aggressive promotional activities aimed at tapping into emerging niche markets across the world.

On the other hand, notwithstanding the tight input controls that has now become the norm in Sri Lanka's highly regulated Agro Chemicals industry, the Cropcare unit delivered good results for the year, having leveraged on product innovation and targeted relationships with customers and suppliers to reinforce the Company's position as a critical business partner in the customer supply chain.

In the Seeds division, Prith Seeds Pvt Ltd, which was acquired by AgStar in May 2015, the product range was widened with the introduction of new local and imported seed varieties, in an effort to accelerate a firm business turnaround.

Moving forward, product diversification is deemed to be the key marketing thrust for all business units, while cost leadership would be the key driver for strategic brand positioning. Growing exports also remains a key priority, where the Company will look to expand its market presence by broadbasing global distribution channels and also widening the existing product line-up to help tap into both mainstream and niche markets in the coming years.

Plantations

Maturata Plantations Ltd

For Maturata Plantations Ltd, which comprises of 11 Tea Estates in the Nuwara Eliya District, five Tea Estates and three Tea cum Rubber estates in the Matara District, the year 2015/16, was one of the most challenging years in recent history. As the mass go-slow campaign and erratic weather patterns left the Company struggling to meet production targets, Tea production volumes for the year fell by 6.3% (or equivalent of 0.35 Mn Kgs of made-tea) compared to the previous year. Compounding matters even further, depressed global demand and an adverse local operating environment were responsible for the lower net sales averages for both Tea and Rubber, leading to a drop in the Company's Turnover by Rs. 402.6 Mn or 16.5%, from Rs. 2411.9 in the previous year to Rs. 2,009.4 Mn for the current financial year. The resulting loss for the year was Rs. 500.2 Mn, which included a fair value loss of Rs. 73.3 Mn on account of the stock of Timber Trees as per the most recent valuation conducted at the end of the 2015/16 financial year.

Amidst this scenario, the Company leveraged on the use of Information Technology (IT) across key ground level operations, alongside strict cost control measures, in a bid to boost efficiency levels and generate an overall reduction in costs.

Meanwhile, as part of the ongoing focus on high output quality and enhanced productivity, Rs. 49.8 Mn was invested in replanting high-yielding varieties of Tea and Rubber, which are expected to reach maturity in the next 4 to 7 years. The Company now holds a total of 202.8 hectares of total immature Tea and Rubber extent, which was valued at Rs. 384.4 Mn as at 31st March 2016.

Further, crop diversification strategies also gained momentum during the year, underscored by the need to reduce dependency on traditional crops and safeguard the bottom-line from unforeseen changes in the external environment. A sum of Rs. 16.9 Mn was invested during the year under review to plant 41.8 new hectares of Cinnamon, as part of the Cinnamon cultivation programme initiated a few years ago, bringing the total Cinnamon cultivation to 89.93 hectares. Meanwhile, 25.68 hectares of commercial Timber was also cultivated during the current financial year.

Pusellawa Plantations Ltd

Pussellawa Plantations Ltd consists of 2,492 hectares of Tea and 3,371 hectares of Rubber, spread across seven estates in the Ratnapura District, six estates in the Colombo District and 11 estates in Pusellawa, in the Kandy District.

The Company manufactures and sells Orthodox, CTC and Green Tea in different grades, a strategy aimed at optimising the net sales average vis-à-vis a broader product mix. The overriding focus however, is to develop and maintain a superior range of

quality products that will command a premium price. Testifying to the success of this approach, two CTC tea factories namely, Delta and Rothschild are known for their consistently high sale average among peers in the western medium grown category.

In the Rubber sector, the Company manufactures and sells a variety of Rubber, including Sole Crape, Latex Crape, RSS, UFUB, and Raw Latex in different grades to optimise sale average.

In 2015/16, both business segments came under severe stress, amidst the myriad challenges in the immediate operating environment, and the Company ended the year with a turnover of Rs. 3,061.5 Mn, signaling a decrease of Rs. 560.1 Mn or 15.5% below the figure tabled in the previous year.

However, the Tea sector was more severely affected, hampered by lower sales volumes and diminishing net sales averages, the gross profit dropped by 205% as the performance of the Tea sector fell short of expectations.

Encouragingly though the Rubber sector tabled a more resilient performance for the year, where despite a year-on-year drop of 4.6% in the net sale average, gross profit for the Rubber sector increased from Rs. 2.2 Mn in the previous year to Rs. 8.3 Mn in the current financial year. The improvement in the gross profit can be attributed to the higher crop resulting from the harvesting of an additional 392.62 hectares of immature Rubber, which came into bearing in the current financial year.

The healthy performance demonstrated by the Rubber sector helped cushion the unfavourable results of the Tea sector. Nevertheless, overall gross profit declined by 178% year-on-year, and this translated into a loss of Rs. 201.4 Mn for the Company, compared to the Rs. 131.8 Mn restated profit, recorded in the previous year. Notably, the loss for the year also includes a fair value loss resulting from the revaluation biological assets, specifically a loss of Rs. 121 Mn on account of the stock of Timber.

From a business perspective, improving the prospects of both Tea and Rubber remained a key priority and the focus shifted towards cost management strategies that would help the Company migrate to a leaner and more agile operating model.

In the Rubber sector, the goal was to strive for economies of scale that will minimise the impact of escalating input prices, while in the Tea sector; steps were taken to increase productivity vis-à-vis the introduction of new technology, and promoting value addition and forward integration as part of the broader strategy to sharpen the alignment with the global market place.

General Operating Environment (Tea and Rubber)

Production

Tea :- Tea production continued to decline in 2015 for the second consecutive year. Total tea production in 2015 declined by 2.7% to 329 Mn kgs from 338 Mn kgs in 2014 due to unfavorable weather condition in the first and third quarter of the year together with the "go slow" campaign in July 2015 instigated by the Plantation sector labour force demanding a wage hike.

Rubber :- A decline in Rubber production was observed for the fourth consecutive year in 2015 as a result of low international market prices. Moreover, the unfavourable weather conditions prevailed during the second and the third quarters of the year along with the high cost of production also hampered volumes.

Prices

Tea :- Demand for tea export was low from traditional Tea export destinations, many of whom found their purchasing power diminishing amidst severe economic pressure. In the Middle Eastern economies, it was the drop in oil prices, while in countries such as Russia, Ukraine and Turkey it was a sharp depreciation of currencies. Both scenarios had an adverse impact on the average tea prices at Colombo Tea auction, which declined by 12.5% to Rs. 401.46 per Kg in 2015 in comparison to Rs. 459.01 per Kg recorded in the previous year.

Rubber :- The average price of natural rubber in the international market was mainly influenced by global economic conditions, specifically moderation in economic activities in China and drop in petroleum prices. Accordingly, the average price of Ribbed Smoked Sheet No. 1 (RSS1) at Colombo Rubber Auction declined by 13.2% to Rs. 248.17 per kg in 2015 from Rs.286.05 per kg in the previous year.

Cost of Production

The mass go-slow campaign initiated by the trade unions in July 2015 impacted productivity levels to increase cost of production. Meanwhile, the complete ban on the widely used weedicide Glyphosate, forced plantation companies to resort to manual weeding, an extremely costly and often ineffective solution. Moreover, the government decision to remove the fertilizer subsidy was yet another blow, as companies were compelled to procure fertilizer from the market at significantly higher price.

Management Discussion & Analysis
Agriculture & Plantations

Crop diversification goals were also accelerated, with Rs. 30.9 Mn being invested during the year to cultivate 80.28 hectares of Cinnamon. A further Rs. 216.9 Mn was invested in Tea and Rubber replanting during the year, bringing the total immature extent to 1,515.1 hectares as at end-March 2016.

Melfort Green Teas (Pvt) Ltd

Part of the Pussellawa Plantations Group of companies, Melfort Green Teas (Pvt) Ltd, manufactures Green Tea and other specialty Teas entirely for the export market. The Company operates two Green Tea plants; the Melfort estate plant with a production capacity ranging from 350 metric tons to 550 metric tons per annum, where “Pan-Fired” Green Tea is made and the Sanquar Plant with a production capacity of between 400 to 500 metric tons per annum, which manufactures “Steam” Green Teas.

Widely seen as a catalyst in putting Sri Lanka on the map as a supplier of premium quality Green Teas to the global market, both estates have been successful in maintaining consistently high net sales averages, even amidst lacklustre market conditions during the year.

In fact, Melfort Green Tea was able to secure the No.1 spot, while Sanquar held the second position, among all Pussellawa valley estates during the year under review, a considerable achievement that helped the Company deliver strong results at a time when many in the industry were crumbling amidst these external pressures. The Company tabled a Revenue of Rs. 126.20 Mn and net profit of Rs. 13.15 Mn for the period under review.

Meanwhile, efforts to develop new product variants were aimed at enhancing the value proposition offered in order to appeal to a wider global audience across mainstream and niche markets. Among the key initiatives taken in this regard was the development of Tencha, a new product for which the Company has applied for patent rights, while a study was carried out to investigate the possibility of developing a sugar free energy drink, with Green Tea being the core ingredient.

The Company also began setting up the framework to move into direct exports, specifically to break into niche markets across the world, a strategy that would be aggressively pursued in the next 2 to 3 year timeframe.

Leisure

The Group's investments in the Leisure sector are clustered under Browns Investments, which maintains controlling interest in a number of properties in iconic locations across the country. The portfolio currently consists of four actively operational hotels, which represent the Group's local leisure footprint. A further three projects are in the development pipeline at various stages of progress and are scheduled to be unveiled to the market in the next 12 to 18 months.

More recently, a series of offshore investments in the Maldives have also been added to the development pipeline, a decision that was prompted by the potentially higher returns that could be generated through these investments in the long term.

All properties in the Maldives have been acquired from the Government of Maldives on a 99-year lease and are earmarked for development within the next 3 to 5 year timeframe.

- Three projects in iconic locations of Sri Lanka are in the development pipeline at various stages of progress and are scheduled to be unveiled to the market in the next 12 to 18 months.
- All properties in the Maldives have been acquired from the Government of Maldives on a 99-year lease and are earmarked for development within the next 3 to 5 year timeframe.

Management Discussion & Analysis
Leisure

Sector Highlights

Growth
8.9%

Gross Income
Rs. **1.3** *Bn*

Growth
14%

Total Assets
Rs. **26.9** *Bn*

300+
Rooms

115+
Apartments

In Male in Progress

The progress made by each investment is summarised below.

Revenue-generating Investments

The Eden Resort and Spa

The Eden Resort and Spa is a 158-room luxury resort located on the iconic "Golden Mile", a pristine stretch of beach in Beruwela. The property, which was refurbished a few years ago in order to improve the value proposition offered to guests, has seen a remarkable turnaround as evidenced by the year-on-year increase in occupancy levels since 2014. In the year under review, average occupancy levels stood at 68%, also the result of an increase in online bookings coupled with the aggressive campaign to increase bookings through local travel agents. Higher average occupancy levels together with the higher room rates led to a net revenue of Rs. 770 Mn for the current financial year, up 28% from the previous year, while EBIT for the year was Rs. 84 Mn.

Dickwella Resort and Spa

The 76-room Dickwella Resort and Spa, which was closed for refurbishment for a period of six months, resumed operations in December 2015. Upon completion of the renovation, 60% of the room inventory was handed over to ALPI tours, an Italian operator on a three year management contract to ensure guaranteed occupancy for the peak November – April season, with the balance 40% being made available for online sales during the same period. As per the agreement, sales during the off-peak season would be managed directly by Browns Leisure.

Despite being operational for only six months of the year, the hotel recorded good results for the year, tabling Net revenue of Rs.116 Mn. Nevertheless, due to the increase in operational expenses, an operational loss of Rs. 93 Mn was reported as at 31st March 2016.

The Paradise Resort and Spa – Dambulla

A four-star property with 67 rooms, The Paradise Resort and Spa Dambulla, registered higher average occupancy levels, up from 47% in the previous year to 57% in the year under review. This, together with a stable average room rate resulted in revenue of Rs. 250 Mn for the year, 59% higher compared to the Rs. 157 Mn recorded in the year before. The significantly higher revenue helped bring down the operational loss to Rs. 7 Mn for the year, a major improvement compared to the operational loss of Rs. 31 Mn registered in the previous financial year.

The Calm Resort and Spa – Passikudah

The Calm Resort and Spa, a 4-star, 70-room property located on the iconic shallow coastlines of Passikudah beach, is the latest addition to the portfolio. The hotel was introduced to the market with a soft opening in April 2015, with commercial operations commencing in June 2015. Being a highly seasonal offering, the peak revenue-generation period for The Calm is between June to November each year, and the hotel continues to rely heavily on OTA's (Online Travel Agents) as the key revenue drivers during this short seasonal window. Revenue generated during the off-peak period was mainly from credit card offers for locals. Concluding its first year of commercial operation as part of the Group, the hotel recorded revenue of Rs. 70 Mn, but registered an operational loss of Rs. 67 Mn as at 31st March 2016.

Projects in the Development Pipeline

Sheraton Turtle Beach Resort – Kosgoda

A 172-room super-luxury property, uniquely positioned alongside the Nilwala estuary on the South Western Beaches of Sri Lanka, The Turtle Beach Resort is a 5-star property that will be operated and managed by Sheraton International, part of the Starwood Group of Hotels. With work nearing completion, the scheduled launch is due to take place in late-2016.

Riverina Hotel – Beruwela

Riverina Resorts (Pvt) Ltd is a fully owned subsidiary of Palm Garden Hotels PLC. The site is where the famous Riverina Hotel, Club Palm Garden and Tropical Villas stood historically, along the Golden Mile beach in Beruwela, Sri Lanka. The combined land mass consists of 20A, 1R and 19.54P, with a beach front of almost 400 meters. The Resort will consist of 367 rooms, 5 F&B outlets, extensive conference and banqueting facilities, a gym, a spa and recreational and other ancillary facilities, in keeping with the profile of a top International 5-Star. We are actively looking for a tie up with a top international brand for what might be the largest beach resort complex in the country. Completion is envisaged during the winter of 2017/18.

Heritage Hotel – Kandy

A project to construct a 4-star hotel is pending final UDA and CEA approvals, with construction of this 100-room property set to begin in January 2017 and upon completion in January 2018, would likely be given out for management to an international hotel chain keen to establish a presence in Kandy.

City Hotel – Sethsiripaya, Kotte

Currently at the planning stage, the proposed project will see the construction of a 150-room City Hotel.

Offshore Investments

Nasundara – Maldives

Work has commenced to construct an ultra-modern integrated City Hotel in Male City, consisting of a 135-room hotel and 118 apartments, in addition to banquet halls and a high-end retail shopping mall. Likely to be the most iconic location in the capital city of the Republic of Maldives, work on this mixed-development is scheduled to be complete by November 2018.

Bodhufinolhu in South Ari Atol – Maldives

Located on three hectares of land acquired at a cost of USD 1.5 Mn on a 99-year lease from the government of Maldives, the proposed project would see the construction of a 65-room, 5-star resort at an estimated cost of USD 10 Mn. With the designs already completed and reclamation approvals in place, construction work is due to commence pending necessary building approvals.

Bodhufaru in Raa Atol – Maldives

A USD 15 Mn project to construct a 100-room, 4-star resort on approximately seven hectares of land acquired from the government of Maldives at a cost of USD 1 Mn, on a 99-year lease. Having obtained necessary approvals, reclamation work got under way during the current financial year.

Management Discussion & Analysis
Leisure

Travel

Ceylon Roots (Pvt) Ltd

It was a very successful year for Ceylon Roots (Pvt) Ltd, the Destination Marketing (DMC) arm of the Browns Group, which registered strong top line growth of 60% as at 31st March 2016. The Company performance was the result of an aggressive volume-driven campaign to promote the Group's leisure brands in all major source markets, including China, India, Europe and the Middle East.

Among the key steps taken in this regard, were the efforts to consolidate the Ceylon Roots presence and deepen the penetration across all market segments, which saw the Company increase its ground representation in China, India, Italy, Spain and Dubai, a move that led to a surge in the mainstream FIT and MICE market segments, especially from India and China.

Parallel to this, work also commenced on the development of a dedicated online B2B platform aimed at bolstering volumes from key source markets, especially India and China, while at the same time widening the Company's global reach.

Efforts to tap into all other major source markets, especially in Europe saw the Company engaging in direct promotional activities to build awareness among travel agents and tour operators in those countries.

The Company's broader strategy with regard to these markets was to create greater visibility for the Group's leisure brands, while presenting Sri Lanka as a must-visit destination. This was achieved through the participation in key travel exhibitions, including BITE - China, GITF - China, BIT – Milan, Leisure Travel Fair - Russia and IFTM - Paris. A series of incentives were offered to strengthen partnerships with retail tour operators and also to widen the agent base by directly tapping into tour operators / agents from European and Scandinavian countries.

Moreover, the Company also looked at the possibility of tying up with leading international airlines in order to leverage on their promotional campaigns to market the Group's leisure brands to a wider international traveller base.

Meanwhile, to cater to the growing volumes, investments were made to improve internal systems and enhance back-end support, which saw the roll out of a fully integrated DMC software system to streamline internal operational aspects and facilitate online real-time connectivity across all business units.

BG Air Services (Pvt) Ltd

BG Air Services continues to retain its position among the top 10 outbound travel agents in the country and caters to all key market segments, namely FIT (Free Independent Travellers), Retail and Corporate.

The year 2015/16 was a challenging one, especially for the FIT segment. As currency fluctuations, terror threats in Europe and the Ebola Virus began to undermine global travel patterns the Company's FIT segment experienced a significant drop in bookings to destinations such as France and the African region.

However, to make up for the loss in volumes, a massive above-the-line promotional campaign was launched to create awareness and interest in the FIT segment, regarding alternative destinations, including, Indonesia, Vietnam, Cambodia and the Philippines.

Unaffected by the changes in global travel patterns, the corporate segment on the other hand registered strong growth for the year.

Meanwhile, efforts to grow the retail market segment were underpinned by an aggressive strategy to widen the client base across the island. Accordingly, two new branches were opened in Anurdhapura and Ratnapura, bringing the total network to six branches as at 31st March 2016. Moreover, selective expansion into other areas in the country saw the Company leverage on the Browns branch network to appoint authorised agents. The Browns Dambulla branch was the first to be appointed as a Browns Tours authorised agent, with more on the cards for the forthcoming year.

The steps taken to increase the number of destinations on offer along with efforts to widen the customer base, led to a year-on-year increase of 20% in volumes along with a healthy increase in the top line as at 31st March 2016.

Renewable Energy

In line with Sri Lanka's Power and Energy Strategy to increase power generation from the Renewable Energy sector, the Group began to pursue alternative renewable energy sources. Accordingly, Sagasolar Power (Private) Limited, a subsidiary of the Group, commenced construction of the country's first utility scale Solar Farm. This pioneering project is situated in Buruthakanda, Hambantota, known to have the highest recorded solar irradiation level in Sri Lanka. The project has a power generation capacity of 10 Mw and is located within the Energy Park Gazetted under the Sustainable Energy Authority.

The year under review was a challenging year for the Group's Hydro Energy sector, where beset by low rainfall, all four mini-hydro plants owned by Browns Hydro Power PLC (BHP) experienced a sharp drop in output capacity. Revenue for the year under review dropped by 11% to Rs.167 Mn compared to the previous year.

- Sagasolar Power (Private) Limited, a subsidiary of LOLC, commenced construction of the country's first utility scale Solar Farm.

Management Discussion & Analysis

Renewable Energy

Sector Highlights

Revenue

Rs 167 Mn

Profit before tax

Rs 58 Mn

Total Assets

Rs 2,796 Mn

Given the persistent uncertainties surrounding the Hydropower industry, a decision was made by the Group to exit the business, a change that is expected to take place in the forthcoming financial year.

On a more positive note, the CEB's decision to increase the rate applied on "avoided-cost" based Power Purchase Agreements (PPA) helped the Sanquhar and Delta Plants benefit from a slight increase in revenues despite the lower output volumes. However, the Stellenberg & Thebuwana plants were not benefited by this change, as the PPA's for both these mini hydro's are on the fixed-tariff basis.

The Sanquhar Plant commissioned in the year 2003 with a total installed capacity of 1.6 Mw, was closed for repairs, between February to July 2015, which meant production for the year under review was 43% less than in the previous year.

Commissioned in 2006, the Delta Mini Hydro Plant and the Stellenberg Mini Hydro Plant, equipped with a capacity of 1.6 Mw and 0.9 Mw respectively, were both affected by low rainfall in the first half of 2015, again leading to lower output volumes as at 31st March 2016. The Thebuwana Mini Hydro with an installed capacity of 0.8 Mw, is the most recent addition to the portfolio and was commissioned in June 2015. Operating for nine months of the current year, the Thebuwana Plant generated 1.5 Mn units in output.

The CEB's decision to increase the rate applied on "avoided-cost" based Power Purchase agreements (PPA) helped the Sanquhar and Delta plants benefit from a slight increase in revenues despite the lower output volumes, as both these PPA's have been entered into on the "avoided-cost" basis.

Construction

Despite the slow-down in large-scale infrastructure projects in the country, Sierra Construction (Pvt) Ltd, the Group's main construction arm, experienced a good year, with all business segments making a healthy contribution to the Company's performance.

Consequently revenue reached Rs. 12,455 Mn for the current financial year, 32% higher than in the previous year. The higher revenue translated into an EBIT of Rs. 983 Mn, signaling a complete turnaround from the loss of Rs. 254 Mn reported in the previous financial year.

The Roads and Highways segment recorded revenue of Rs. 2,225 Mn for the current financial year, generated through the Road construction projects in Kelanimulla, Mulleriyawa and also the work done on Road Projects in the Republic of Maldives. Meanwhile, work commenced on the construction of the KA 1

- Sierra Construction (Pvt) Ltd, the Group's main construction arm, experienced a good year, with all business segments making a healthy contribution to the Company's performance.
- The Roads and Highways segment recorded revenue of Rs. 2,225 Mn for the current financial year, generated through the Road construction projects in Kelanimulla, Mulleriyawa and also the work done on Road Projects in the Republic of Maldives.

Management Discussion & Analysis

Construction

Sector Highlights

Turnover Growth
Rs. 3.06 Bn

Net Assets Growth
Rs. 628 Mn

Total Assets Growth
Rs. 3.96 Bn

& 2 and NE 1, 2 & 3 road network, part of the Integrated Road Investment Program Tranche 2, a massive RDA project funded by the ADB. It is expected that this project would make a significant contribution to the revenue of the Company's Roads and Highways segment in the 2016/17, financial year.

However, with revenue of Rs. 4,079 Mn, the Water segment was the largest contributor to the topline, being the result of a large number of projects that were completed during the year, including the facilitation of the water distribution network to certain areas in the Western Province and the construction of a series of water towers to develop the water supply systems in the North and East.

The Civil Construction sector tabled revenues of Rs. 2, 675 Mn for the year under review, underpinned by a notable expansion in construction portfolio. Comprising mainly of condominium complexes, residential developments and commercial buildings, these new additions to the Civil Construction portfolio are long term projects with a 2 to 3 year timeframe. In addition, ongoing work on key Group projects, namely The Turtle Beach, Kosgoda and the Riverina Beruwela, also made good progress, with both expected to be completed on schedule.

Meanwhile, the Telecom, Piling and Electrical segments also gained momentum, tabling Rs. 1,579 Mn, Rs. 63 Mn and Rs. 19 Mn, respectively, in Revenue for the year under review.

Having successfully positioned itself as a key contender in all segments of Sri Lanka's Construction sectors, the next big step for the Company was to expand the reach to the Asian subcontinent and beyond into East Asia. Steps taken in this regard saw Sierra entering into the Road construction market in the Maldives. Meanwhile, in line with the future growth strategy, the Company began to explore the possibility of venturing into the regional telecommunications infrastructure market, which led to the setting up of a subsidiary in Myanmar. The Company also leveraged on the connections with Sierra India and tied up a Qatar-based Company to penetrate the telecommunications infrastructure market in these countries.

With revenue of Rs. 4,079 Mn, the Water segment was the largest contributor to the top line, being the result of a large number of projects that were completed during the year, including the facilitation of the water distribution network to certain areas in the Western Province and the construction of a series of water towers to develop the water supply systems in the North and East.

Manufacturing and Trading

Power Generation

The Power Generation unit is represented by the Browns Battery Division, which is the marketing arm for the complete range of EXIDE, Lucas and Dagenite automotive batteries, distributed islandwide through Browns outlets and the 800+ Browns-appointed dealer network.

EXIDE is positioned as the mass brand, commanding nearly 50% of the market and is the key revenue driver for the Battery Division. Meanwhile, both Lucas and Dagenite continue to gain traction as mass premium and entry-level brands respectively.

As the agent for these three top brands, the Browns Division holds more than 55% of the market share for automotive batteries in Sri Lanka and continues to maintain its competitive edge in the market through the services offered by its dedicated service centers in Colombo, Galle and Kurunegala. The Division's customers also have access to the one-of-a-kind Batmobile concept, which provides motorists in need of assistance with free services.

- EXIDE is positioned as the mass brand, commanding nearly 50% of the market and is the key revenue driver for the Battery Division.
- Having widened the product mix, the Browns General Trading Division then looked at enhancing the profitability of the portfolio through an Above-the-line mass marketing drive to build volumes of mainstream products.
- Although RADCO branded copper brass radiators currently commands over 50% of the retail market share, BTEL's ultimate goal is to be the "The exclusive automotive radiator supplier for the local automotive industry".

Management Discussion & Analysis
Manufacturing and Trading

Sector Highlights

Growth
41%

Gross Income
Rs. **10.9** *Bn*

Growth
95%

Profit Before Tax
Rs. **1.1** *Bn*

Growth
17%

Total Assets
Rs. **28.5** *Bn*

Being a vanguard in the business, the Battery Division's commitment to deliver timely and relevant offerings saw the full roll out of "Maintenance-Free (MF)" batteries in the current financial year, a move that was initiated in the previous year. With the transition to MF almost complete and the entire EXIDE, Lucas and Dagenite range now equipped with MF technology, the division began phasing out the conventional dry-charge battery model.

Complementing the move towards MF batteries, the dealer network was strengthened to create greater visibility regarding the new product and its features, including the extended warranty option. This was coupled with a series of 'Above-the-Line' (ATL) and 'Below-the-Line' (BTL) brand-building activities to communicate these advantages to the customer. Further, delivery mechanisms were also streamlined in order to minimise delays that may occur in the delivery process.

Meanwhile, further efforts to widen revenue streams led to the import of AUOTELI branded tires from China, primarily for passenger cars and Vans. Being a more competitive offering, the brand was well received by the target market and shows promising growth prospects for the future.

Although the main focus thus far has been on developing the automotive battery range, in the coming years the Browns Battery Division will also look to strategically expand the industrial battery line that caters to the telecommunication and power generation industries as well.

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Power System

The Browns Power Systems Division has, for the past 20 years been an authorised agent for UK-made FG Wilson generators, which is positioned among the top-three generator brands in the world. The division which continues to market mainly the 75kVA to 375kVA range of branded FG Wilson generators, found the current financial year to be a challenging one amidst a number of uncertainties in the immediate operating environment. Key among them was the slowdown in local construction activities in 2015, which affected sales volumes for the premium range during the twelve months ending 31st March 2016. Meanwhile, the traditional demand for FG Wilson generators, originating from large commercial institutions and manufacturing plants, also declined in the year, amidst stiff competition from cheaper mainstream imports from China and other East Asian countries.

To overcome these challenges, the division began focusing on driving new USP's in keeping with the latest global trends. Stemming from this decision, in mid-2015, the Company launched the latest "F-model" range of silent, eco-friendly generators, renowned as a reliable and fuel-efficient alternative.

The marketing strategy adopted for this new option targets the more cost-conscious customer segments, a move that was well received, particularly among the B2B segment.

Meanwhile, to support the extended product range, the Power Systems Division continued with efforts to improve customer service standards, with a special emphasis on providing an unmatched service that would further enhance the value proposition offered to the customer in the long term.

General Trading

Supported by long-standing partnerships with some of the world leading brands, the Browns General Trading Division deals with power tools, related accessories and a range of industrial equipment including generators and water pumps. The division's portfolio currently consists of some world renowned names including Makita power tools, Tailin cutting and grinding wheels, Eclipse (UK) hacksaw blades and other accessories and Firman generators for industrial and domestic use.

It was a positive year in terms of growth for the Trading Division with all products tabling improved year-on-year performance for the year ended 31st March 2016.

This was the result of careful planning and ongoing efforts to reposition the Division's offerings as the first choice for the customer, with the key thrust for the current financial year being to create greater brand visibility and widen captive market share for power tools and accessories. Moreover, given the heightening competition in the market, it was felt that striking the right balance between price and service quality would be crucial in sustaining market leadership.

Accordingly, aggressive market-driven strategies were deployed in an effort to make inroads into new and emerging market segments, key among them being the steps taken to diversify the product mix and present the customer with a gamut of offerings, ranging from premium products to more price competitive options. Pursuant to this goal, the Hyundai range of industrial equipment and Shijing brand of tile cutter from China was introduced, targeting the Price competitive Market, while the premium Makita range was expanded with the launch of the new state-of-the-art cordless option, equipped with lithium-iron batteries for enhanced safety and durability.

Having widened the product mix in this manner, the division then looked at enhancing the profitability of the portfolio through an above-the-line mass marketing drive to build volumes of mainstream products. A highly focused below-the-line campaign was also initiated to strengthen relationships with B2B customers and boost islandwide sales of high-yielding premium products. To support this endavour, the islandwide distributor/dealer network was expanded with 200 new distributors/dealers being added on during the year, bringing the total network to 650 as at 31st March 2016.

Parallel to this, five new service agents were appointed in 2015 bringing the total number of islandwide service agents to ten, a move aimed at reinforcing service standards and introducing uniform service parameters across the island. Meanwhile, to service the needs of customers in the Western Province, a service mobile was commissioned to provide door-to-door convenience to the customer, while plans to set up a fully-fledged servicing unit in Bloemendhal, Colombo 15, was expedited during the year.

Manufacturing

Browns Thermal Engineering (Pvt) Ltd (BTEL) is the market leader in RADCO branded copper-brass radiators, which are manufactured at the Company's fully equipped plant in Pannala and distributed islandwide through authorised Browns distributors. Although RADCO branded copper brass radiators currently commands over 50% of the retail market share, BTEL's ultimate goal is to be "the exclusive automotive radiator supplier for the local automotive industry".

In pursuance of this goal, an agreement was inked with a reputed automotive manufacturer in the country, making BTEL the exclusive supplier of copper-brass radiators for a leading brand of vehicles assembled in Sri Lanka. A first of its kind in the industry, the move is also expected to pave the way for BTEL to develop a captive B2B market for RADCO branded automotive radiators in the future.

Efforts to widen the retail market share for RADCO copper-brass radiators led to strengthening of the islandwide reach and developing service facilities in order to enhance visibility among end-users.

Meanwhile, following the strategic decision to expand the retail segment in cognizance with emerging market opportunities, BTEL tied up with an Indian supplier and resumed importing plastic-aluminum radiators. Released to the retail market under the RADCO label, the move was aimed at facilitating the growing number of the newer imported vehicles being outfitted with lightweight plastic-aluminum radiators. However, having re-entered this market after a lapse of three years, BTEL was considered a new entrant into this market and faced stiff competition from a host of low quality plastic aluminum radiators that appeared to have a market stronghold. To overcome these competitive challenges, BTEL leveraged on the strength of the Browns Group

Management Discussion & Analysis
Manufacturing and Trading

to emphasize the quality and credibility of RADCO branded radiators and thereby strive to position the product as the best and most reliable choice in the market.

These efforts, together with the aggressive promotional activities to drive sales through the islandwide distributor network resulted a considerable increase in retail sales volumes of both copper-brass and plastic-aluminum radiators, in the year under review.

BTEL's industrial radiators too recorded good growth during the current financial year, in effect the result of a series of tender contracts to provide locomotive radiators to the Sri Lanka Railways. This, along with higher export volumes to the Maldives and the Middle East culminated in driving higher volumes in the Industrial segment as well.

Moreover, as the exclusive supplier of plastic components for Exide batteries, BTEL looked to strengthen the alignment with the Browns Battery unit, a move that helped boost volumes for the year.

Furthermore, the radiator maintenance business also gained momentum, as large state institutions extended and some even expanded their maintenance contracts with BTEL.

With all products demonstrating strong growth, BTEL's turnover grew further, while the Company tabled record profits with the best-ever performance in the Company's history.

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Home and Office

The Browns Home and Office Solutions Division caters to two key market segments; the Corporate sector and the Retail sector.

The corporate sector is serviced through the Integrated Business Solutions arm, which as the name suggests, facilitates customised business solutions to meet the specific needs of various corporate clients.

With most Corporates now cutting their office hardware budgets in favour of more cost-effective alternatives, the division leveraged on the opportunity to integrate its offerings into the clients value chain by offering solution-based convenience that will deliver greater cost efficiencies and ultimately boost the clients' bottom line. One such business line is the "Doculine" rental copier/printer business, where as the market leader, the division continued to experience strong growth and recorded a significant increase in volumes in the current financial year.

In the retail sector, the strategy for the year was to deepen the exposure into the consumer electronics market vis-à-vis an aggressive multi-brand marketing strategy to appeal to a wider customer base across the island. In this context, the Division looked at improving product diversity offered under "Browns Deals", which seeks to always provide the customer with the best available deal in the market. To widen the product range, a series of well-renowned brands were introduced in order to create the best fit for each market segment. To complement this approach, a volume-driven marketing strategy was then deployed to boost sales, with the branch network earmarked as the key facilitator of this agenda. Meanwhile, to further expand the reach, three new branches were opened in Kandy, Galle and Gampaha, bringing the total number of island-wide branches to ten, as at 31st March 2016.

At the same time, maintaining cost leadership was seen as vital for the success of the "Browns Deals" model, which prompted the division to sharpen the alignment of the existing procurement mechanism and pursue new sourcing partnerships in an effort to maximise returns from the retail segment.

Pharmaceuticals

It was a year of heightened activity for the Browns Pharmaceuticals Division, where the main strategic thrust centered on product diversification and expansion of core business lines.

As the market leader in key Veterinary Pharmaceutical segments, the emphasis for 2015 was to consolidate this leadership position, especially in the Biological & Premixes segment. Steps taken in this regard included efforts to diversify the product portfolio through the introduction of a new range of products to boost sales in the Poultry and Dairy sectors. The main goal here was to be able to offer total end-to-end solutions, as opposed to providing only stand-alone products.

This was followed by a series of below-the-line initiatives aimed at enhancing brand awareness and growing market share. Among the ground level activations carried out, was a series of extension programmes covering best practices for farm management together with knowledge dissemination sessions to promote international quality certifications and quality testing standards. The sessions were conducted in selected areas, where there is a high density of dairy and poultry farmers. All programmes were well received by the target market with a large number of participants attending.

Efforts to grow market share in the pet Pharma segment saw the launch of a new imported vitamin range manufactured by Intervet India under license from Ventri Science laboratories in the USA. Moreover, to counteract the competitive challenges arising from cheaper generic pet food imported into the country, an aggressive mass media campaign was launched to boost retail sales of the division's branded pet Pharma range. Further, the distributor network was expanded in order to strengthen the islandwide reach, while an e-commerce portal was introduced to allow customers to order online and make use of the door-to-door free delivery service offered by the division.

Meanwhile, as part of the business diversification strategy the Division ventured into the human Pharma sector for the first time. Following an extensive market study, the Division began setting up the framework to import the Dengue Rapid Test Kit through a strategic partnership with INTEC Products of China. The product, which is a disposable unit is designed to quickly identify the dengue Antibody IgG & IgM, a critical need at a time when dengue continues to reach epidemic proportions across Sri Lanka.

At an operational level, a sales force was deployed to create awareness regarding the product, while islandwide distributors were appointed following a strict vetting process to assess their distribution framework, warehousing capacity and conformity with the Sri Lanka Ministry of Health Guidelines. With the initial groundwork more or less complete, commercial sales of the Dengue Rapid Test Kit are expected to commence in April 2016.

Marine Services

As a supplier of outboard and inboard motors for fishing vessels, the Fishing industry is the primary market for Browns Marine Services. Notably, the rapid growth in the Fishing industry seen in the past decade, along with the current regulatory framework, which has been increasingly supportive of deep sea and offshore fishing, has provided a solid platform for the division to grow and expand.

For its part, the division has continued to work towards positioning itself as "the preferred supplier of equipment to the Marine Industry" by leveraging on these emerging market opportunities to grow volumes and build market share across all business segments.

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Management Discussion & Analysis
Manufacturing and Trading

In the inboard segment, the Division capitalised on the EU's policy directive on responsible fishing, to drive IMI certified Hyundai and Yanmar inboard motors for vessels engaged in fishing for the export market. The strategy proved to be a phenomenal success, with the division securing nearly 60% of the market share in the inboard segment.

Catering mainly to deep-sea fishing vessels engaged in fishing for the local consumer market, the Outboard Motor (OBM) segment is characterised by stiff competition, making it a highly price sensitive market, where purchase decisions are determined purely on price. The main strategy for the OBM segment was thus spearheaded by a direct marketing campaign to drive new customer acquisitions and deepen the penetration in the mainstream market. The key thrust for the year, in this regard was to promote the Chinese-made Parsun OBM's to small-scale fisherman across the country, by presenting it as a cost effective alternative in place of the costly Japanese motors currently being used in the industry. Well received by the market, the campaign led to an increase in volume-driven market share for the year.

To support these developments, the OBM field force and service team was increased and the dealer-based sales model was further strengthened allowing dealers to carry stocks to help minimise possible service delays. And enhancements made to the after-sales service mechanism were part of the overall customer retention strategy. Meanwhile, to extend the division's after-sales model to a wider geographical range, a new central service center was opened in Negombo.

As part of the OBM service model, the division continued to extend its services towards servicing naval vessels belonging to the defense forces, while efforts to further develop this line of business, prompted the Division to sign up as the marine safety-training partner for the National Defense Forces.

Meanwhile, in the Division's ship marine products segment the focus was to expand the offerings, while in the leisure sports segment the main priority was to create visibility and strengthen brand presence in the market.

Overseas Expansion

PRASAC Micro Finance Institution Ltd (PRASAC) - Cambodia

With its entry into Cambodia's microfinance market in November 2007, PRASAC holds the distinct honour of being the LOLC Group's maiden foray into overseas investment. Currently the largest micro finance institution in Cambodia, PRASAC provides access to financial services for rural communities and micro enterprises in Cambodia. However, the Company's objectives go beyond simply generating profit and the ultimate goal is to raise the economic standards and reduce poverty levels among the rural population by providing them with access to much needed financial solutions.

- PRASAC continued to grow in strength and stature, extending its reach by adding seven new ATM's, bringing the total to 108, as at 31st March 2016, in addition to the 180 fully-fledged branches.
- Since its launch in 2013, LOLC Myanmar Micro-Finance Company Ltd has consolidated its position in the highly competitive Myanmar market and is currently considered to be among the top 10 MFI's in the country.
- For LOLC Cambodia, the change signifies the first step in the agenda towards consolidating the Company's position as a fully-fledged financial services institution in Cambodia.

Management Discussion & Analysis

Overseas Expansion

Sector Highlights

Growth
165%

Gross Income
Rs. **6.8** *Bn*

Growth
188%

Profit Before Tax
Rs. **2.3** *Bn*

Growth
81%

Total Assets
Rs. **37.3** *Bn*

In the year under review PRASAC continued to grow in strength and stature, extending its reach by adding seven new ATM's, bringing the total to 108, as at 31st March 2016, in addition to the 180 fully-fledged branches.

Meanwhile, bolstered by a growth-conducive operating environment, the total savings and deposits portfolio grew by a remarkable USD 162,559,525, a 45.82% growth over the previous year, ending the year at USD 517,318,073. The total loan portfolio grew by USD 261,883, 780 a phenomenal 40.46% over the previous year. Meanwhile, the total asset portfolio reached its highest-ever level of USD 1,108,981,172.

Consequently, both Revenue and Profit after Tax reached record highs of USD 114,073,818 and USD 31,351,875 respectively for the year ending 31st March 2016.

Driven by this exceptional performance across all these key deliverables, Return on Equity (ROE) reached 45.6%, while Return on Assets (ROA) stood at 5.3%, significantly higher than the previous year's values of 45% and 5.2% respectively.

LOLC Myanmar Micro-Finance Company Ltd (LMML) - Myanmar

LMML, the Group's greenfield lending operation in Myanmar is among a select group of privately owned micro finance institutions (MFI) in a country, where a mere five years ago microfinance lending was dominated solely by NGO's. However, since the liberalisation of the regulations in 2011, the number of players in the market has escalated rapidly, with 168 licensed Microfinance Institutions now providing Microfinance services in addition to the state-owned banks, private banks, non-government organisations, cooperatives, specialised agricultural companies and women's unions.

Since its launch in 2013, LMML has consolidated its position in this highly competitive market and is currently considered to be among the top 10 MFI's in Myanmar. Registering a profit of USD 119,000 in the current financial year, is seen as a commendable achievement for a greenfield establishment in less than three years of operations.

LMML's main lending proposition continues to be the "Group Loan" scheme, the main microfinance solution currently practiced in Myanmar, where strict financial regulations continue to prevent MFI's from engaging in collateral-based lending.

However innovative thinking by LMML led to the launch of the 'Fulfil Loan' during the year under review, a product that aims to facilitate the short term cash requirements of the client, but remains firmly anchored to the "Group Loan" collective responsibility parameters.

In another landmark achievement, LOLC became the first microfinance institution in Cambodia to be awarded the SMART Campaign's Client Protection Principles Certificate (CPP), bringing the Company in line with best practices adopted by the Group.

However, innovative thinking by LMML led to the launch of the 'Fulfil Loan' during the year under review, a product that aims to facilitate the short term cash requirements of the client, but remains firmly anchored to the "Group Loan" collective responsibility parameters.

Following an aggressive campaign to promote the Company's products, LMML was able to secure 13,000+ borrowers during the current financial year, signaling a year-on-year increase of 125%. Consequently, the loan portfolio grew from USD 1.8 Mn in the previous year to USD 4.9 Mn in the current financial year, an increase of 172%, consisting mainly of Group Loans. Further by leveraging on the inherent credit culture in Myanmar, the Company has been able to maintain a 'zero' Portfolio-At-Risk.

Being only the 4th foreign owned entity to be licensed as a deposit taking MFI, LMML's savings base grew from USD 338,000 to USD 963,000 a year-on-year increase of 184%.

Meanwhile, buttressed by a USD 1 Mn capital infusion from the LOLC Group and a further USD 5 Mn debt facility in the current financial year, the Company drew up a long term plan to strategically grow its presence across Myanmar. As part of the first phase of this expansion strategy, the company extended its reach beyond the Yangon Region, and into the Bago Region and Mon State, with the addition of five new branches, bringing the total network to 11 by the end of the financial year. Further expansions are scheduled to take place in the forthcoming financial year as well.

LOLC Cambodia PLC - Cambodia

It was the first full year of operation under the LOLC Group, for Thaneakea Phum (Cambodia) Ltd, a microfinance company that was acquired by the LOLC Group in 2014. Following the acquisition of controlling interest by the LOLC Group in the current financial year, the name of the company was changed to LOLC Cambodia PLC, in keeping with the LOLC Group's global expansion strategy.

For LOLC Cambodia, the change signifies the first step in the agenda towards consolidating the Company's position as a fully-fledged financial services institution in Cambodia. To coincide with the name change, a widespread rebranding campaign was initiated to reinforce the Company's brand identity in the target market.

Management Discussion & Analysis

Overseas Expansion

From a business perspective, the Company continues its high-growth trajectory, tabling an outstanding financial performance during 2015. With a ROA of 6.96%, the Company outperformed all its peers and the ROE of 40.92% recorded in the year under review, is only second to the largest MFI in the country. Despite a marginal deterioration of credit quality, the PAR ≥ 30 days of 0.24% is still better than the industry average.

The Company also widened its reach in the year under review, from 54 to 67 branches, spanning 24 of Cambodia's 25 provinces, a move that saw the borrower base, 84% of whom are women – grow by 15% from 189,245 a year earlier to 218,411.

The Company's main USP is geared to promote greater financial inclusion by offering financial assistance to grass root level entrepreneurs and families, thereby allowing them access to economic opportunities that can transform the quality of their lives.

Having consolidated its position in this target market, LOLC Cambodia is now the 5th largest MFI in terms of total assets, gross loan portfolio and total clients, and also the 4th most profitable MFI in the country.

In another landmark achievement, LOLC became the first microfinance institution in Cambodia to be awarded the SMART Campaign's Client Protection Principles Certificate (CPP), bringing the company in line with best practices adopted by the Group.

Meanwhile, having obtained the necessary approvals to mobilise public deposits, plans commenced to structure a suite of deposit products suitable for the Cambodian market, a strategy that is expected to deliver results from the forthcoming year onwards. As part of the longterm growth strategy to promote more inclusive financial services, the Company also invested in a new core banking system, which is also expected to be rolled in the 2016/17 financial year.

Other Strategic Investments

Group ICT Review

As a centralised shared service unit, the Group ICT Division provides efficient and effective IT solutions to all sectors and businesses within the LOLC Group. Our services include state-of-the-art efficient datacenter facilities and a system provisioning and implementation services, which continues to deliver economies of scale through the effective management of ever increasing technology cost, giving all companies in the Group a competitive edge in their respective operating environments.

Furthermore, we continued to comply with globally accepted ISO standards in Service Delivery (ISO 20000), Information Security (ISO 27001) and Service Quality (ISO 9001), making LOLC Technologies the only conglomerate ICT unit to be backed by all three standards.

- LOLC Technologies is the only conglomerate ICT unit to be backed by all three ISO standards.
- Efforts for the year were underpinned by a new USP to promote Browns Hospitals as a full-service (general and surgical) hospital.

Management Discussion & Analysis

Other Strategic Investments

Sector Highlights

ICT Business Revenue Contribution

Rs. **946** *Mn*

Healthcare Business Revenue Contribution

Rs. **308** *Mn*

Seylan Bank Share of Profits

Rs. **1.2** *Bn*

With ICT becoming a critical success factor for all sectors of the LOLC Group, digitalisation of businesses is now seen as the crucial business differentiator, and priority. The Group ICT unit continues to support this digital transformation through the introduction of the latest technologies, including Business Intelligence and Analytics, Mobile and Cloud Technologies among others. Meanwhile, ongoing efforts to tighten cyber security and strengthen the risk control framework were all aimed at minimising the risk associated with technology adoption.

During the financial year, the Group ICT unit continued to provide world-class information communication technology services to all Group companies, and continued the strategic journey of transforming the core application systems to a service oriented platform, thereby enhancing security and improving overall agility. The technology migration of the Group's electronic communication platform was also completed during the year, along with a range of technology upgrades intended to bring down costs and improve efficiencies while increasing employee productivity through provision of self-service ability.

In the current financial year, the unit successfully completed a series of projects in the Group, including several key technology transitions to assist newly acquired subsidiaries to migrate to the Group's core systems.

Sector	System	Status and Remarks
Group	Treasury Management System	Fully implemented in August 2015
	Finance Workflow Management Systems	Scheduled to be completed by July/August 2016
	Financial Consolidation - Comprehensive Financial Accounting Consolidation Management System	Ongoing project, with live roll out scheduled to take place in July 2016
	Human Resource Management System - A new project was initiated to implement group-wide HR management	Initial groundwork completed during 2015/16, with the first phase of the implementation due to start in June 2016
	Business Intelligence and Analytics	Several business units in the Financial Service sector and a few of the Browns Group companies were facilitated with advance analytics and business intelligence platform

Sector	System	Status and Remarks
Financial Services Sector	New Systems for BRAC Lanka Finance – Fusion FSS fully integrated core banking system for NBFI's, including savings, deposit, microfinance and asset back financing modules	Fully implemented in March 2016
	Omni Channel Digital Banking Platform for CLC and LOLC Finance to facilitate online fund transfer via the CEFTS (Centralised Electronic Fund Transfer Switch) through; • Internet Banking • Mobile Banking – App for smart phones • Mobile Banking via USSD for feature phones • Online Utility Payments (CEB, Mobile bills, Water etc.) via Mobile and Internet Banking	Fully implemented in September 2015
	CLC – Launch of ATM, VISA POS	Fully implemented in April 2015
	LOLC Finance – Cash Deposit KIOSK	The Pilot project successfully finalised and rolled out to be completed in 20 locations, by September 2016
Factoring	Implementation of New Sales and Marketing Module to regionalise the factoring model through the LOLC branch network and connect to the CEFTS network for efficient online fund transfers	Fully implemented in March 2016
Insurance	Takaful Insurance	Fully implemented and scheduled to go live in June 2016
	Actuarial Management System	Fully implemented in March 2016
Securities (LOSEC)	Migration to a new online trading and integrated back office automation system	Fully implemented in March 2015 cut over in April 2016
Travel and Tours	Automation of Back Office Operations of BG Air Services (Pvt) Ltd	Fully implemented in June 2015
Health Care	Integration of systems to the core-hospital management systems including E-channeling, Lab Equipment and Back office ERP	Fully implemented in December 2015

With ICT becoming a critical success factor for all sectors of LOLC Group, digitalisation of businesses is now seen as the crucial business differentiator, and priority.

Management Discussion & Analysis

Other Strategic Investments

Sector	System	Status and Remarks
Trading Sector	Mobile Sales force Automation	Ongoing project, with live roll out scheduled to take place in July 2016
	Fully integrated Rent-a-car System with new technology and features	Fully implemented in November 2015
Plantation Sector	Automated Plantation Management Systems	Ongoing project, with live roll out scheduled to take place in July 2016
	Digitising the plantation management process from field to factory with use of mobile technology and digital scales with the view of creating transparency and efficiency in the process.	Pilot project was initiated in 2015/16

ICT Business Sector Review – LOLC Technologies Ltd

The vision of the sector under the brand "LOLC Technologies" is to be a strategic partner in the customers' value chain by providing end-to-end business technology solutions. The strategic thrust for the Company therefore is to leverage on the latest global IT developments to provide customers with a total solutions package.

As part of this strategy, during the current financial year, the Company partnered with Vancouver based ACL Services Limited to launch of one of the world's leading Data Analytics, Governance Risk and Compliance (GRC) Management solution to the Sri Lankan market.

Meanwhile, the ongoing partnership with Oracle Corporation was also further strengthen during the year, with the inclusion of the Enterprise Performance Management (EPM) suite to the portfolio of products, followed by a number of successful implementations of the said EPM system for a number of customers. The Company also introduced its own cloud based product "OASYS" to the market in January 2016, targeting service management requirements of clients.

Bolstered by these efforts, LOLC Technologies tabled an outstanding performance, with year-on-year revenue growth of 140%, from Rs. 388 Mn in 2014/15 to Rs. 934 Mn in the current financial year. Meanwhile, Net profits before tax registered a dramatic increase from only Rs. 40 Mn in the previous year to Rs. 423 Mn in the year under review, a massive 10-fold increase.

To further strengthen the prospects, the Company also began exploring opportunities in overseas markets, particularly in regional markets where the LOLC Group already has a presence. Accordingly, the Company looked at Myanmar and Cambodia to expand its ICT consultancy services on governance, risk and compliance and as potential markets for driving sales of the "OASYS" cloud based service management system and cloud ERP Implementation services.

Browns Investments

Browns Investments PLC (BI), a subsidiary of Brown and Company PLC is the LOLC Group's investment arm under which all Non- Financial sectors of the Group are clustered. As the key driver of the Group's business diversification strategies, BI plays an active management role in selected investments, and maintains a passive interest in others.

Key Industry Drivers

Sri Lanka's ICT industry continues to grow at moderate levels especially with the industry bodies working together with the policymakers and the government to establish a scalable platform for the industry to grow.

Strong support of the government on digitisation of the public sector enterprises has also gained momentum across sectors of the ICT industry. Meanwhile, expenditure on enterprise software is growing rapidly, with software-as-a-service provision or cloud-based offering unlocking the small and medium sized enterprise software market through lower cost for end-users. Mobile apps market and enterprise mobility software solutions have also grown in tandem with the high market penetration of smart phones, which stands close to or a little over 50%.

To sharpen its alignment with core growth sectors in the economy, BI continues to invest either as an individual investor or in partnership with others, where the sustainability of these investments are viewed mainly on their capability to create long-term value for the Group and its stakeholders.

BI's current portfolio consistent of a diverse business interests in high-growth sectors as shown below;

As the key driver of the Group's business diversification strategies, BI plays an active management role in selected investments, and maintains a passive interest in others.

Agri related businesses

BI's interests in plantations comprises of Pussellawa and Maturata plantations, which together manage 34 tea estates consisting of 18,534 acres and 17 rubber estates totaling 13,868 acres, of which eight estates are tea cum rubber estates. Both companies collectively produce approximately 12.25 Mn Kg's of tea and 3.55 Mn Kg's of sheet rubber annually.

The plantations together also own a further 519 acres of coconut and other crops, and 5,188 acres of timber, in addition to having the largest cinnamon plantation in the country. Moreover, Pussellawa Plantations Ltd also owns and manages Melfort Green Teas (Pvt) Ltd.

BI's interest in Agri Business is through an 80% stake in AgStar Fertilizer PLC, held jointly with LOLC PLC and the Sierra Group. The investment in AgStar, a supplier of straight and blended fertilizer, crop-care products and seeds to the Agriculture sector, complements the agriculture and plantation businesses of Brown and Company PLC.

Leisure & Entertainment

BI's interests in the Leisure sector encompass several four and five star properties at key tourist locations around the island, including Beruwela, Dickwella, Dambulla and Passikudah, while ongoing efforts to expand the portfolio include a number of new developments at strategic coastal and inland locations. More recently, BI has ventured into the Maldives, with selected investments in upscale resort style properties and mixed development projects, making the investments in Leisure the largest chunk of BI's asset portfolio.

Meanwhile, investments in BG Air Services (Pvt) Limited, the outbound ticketing arm of the Browns Group, Ceylon Roots the Group's destination management company and Excel World, Colombo's largest indoor entertainment complex, are all aimed at positioning the Group as the only end-to-end solutions provider in Sri Lanka's Leisure sector.

Construction

BI, together with its parent Company LOLC PLC, owns a significant shareholding in the Construction giant Sierra Group - a frontrunner in Sri Lanka's engineering and construction industry.

Ajax Engineering (Pvt) Ltd, the market leader in manufacturing glass and aluminum doors and windows, is also a fully owned subsidiary of BI.

Both these investments form part of BI's long term strategy aimed at facilitating further integration in the construction value chain, to support Group construction projects in the Leisure and Healthcare sectors.

Other Investments

BI's "Other Investments" include an investment portfolio of Rs 1.5 Bn, consisting of passive investments in financial services and diversified holdings in the Agriculture and Plantations sectors, in addition to a considerable land portfolio valued at over Rs. 1,181 Mn.

Management Discussion & Analysis

Other Strategic Investments

Browns Hospitals

Completing its first full year of operation, the Browns Hospitals facility in Ragama continues to make great strides in its endavour to establish itself as the only ultra-modern general hospital in the Gampaha District, and thanks to the brand value associated with Browns Group has become the first choice among people in the area.

However, as a relatively new stand-alone operator, attracting specialist doctors and other medical personnel from well-established hospital chains in Colombo, remains an ongoing business challenge that requires Browns Hospitals to be repositioned as a state-of-the-art facility capable of attracting the most sought-after medical practitioners in the country. Having understood that this calls for a realignment of the customary business model, efforts for the year were underpinned by a new USP to promote Browns Hospitals as a full-service (general and surgical) hospital. At the same time, the emphasis was to create a distinctive value proposition that will build customer loyalty, and position Brown Hospitals as a premier health care facility in the country.

Achieving this meant offering a wider range of both primary and specialist health care facilities, while improving operational efficiencies in order to reposition the hospital as the most affordable health care provider in the region.

To strengthen the surgical facilities, a fertility center and a wound care unit was set up during the year. Meanwhile, to expand the scope of the kidney care center beyond its current dialysis unit, a new nephrology center was commissioned, to address the entire gamut of kidney-related ailments, including kidney transplants. The main goal here was to increase the volume of resident surgical in-patients that will translate into higher demand for related services, including surgical theatres, pharmacy, laboratory and other diagnostic facilities.

From an operational perspective, the 5S concept was introduced and the ISO 9001: 2015 Quality Management Systems certification process was initiated, in the current financial year, in a bid to raise the standards on par with international best practices. Work also commenced on securing a JCI accreditation, which would make the Ragama facility among the few hospitals in Sri Lanka to be backed by what is widely considered as the Gold Standard in global healthcare.

To strengthen the surgical facilities, a fertility center and a wound care unit was set up at Browns Hospitals during the year. Meanwhile to expand the scope of the kidney care center beyond its current dialysis unit, a new nephrology center was commissioned.

Seylan Bank

Overall, the year 2015 was a good one for Seylan Bank PLC, with the bank swiftly capitalising on the upswing in credit demand from about March 2015, a move that helped to overcome the slow start to the year. Consequently, profits reached an all time high of Rs. 3.83 Bn, deposits swelled by 20.76% to Rs. 224.5 Bn and net advances rose by 24.61% to Rs. 193.1 Bn, while the Bank's asset base grew to Rs. 296.3 Bn, signaling a year-on-year increase of 18.86%.

The strong results tabled are a testament to the Bank's capacity to consistently build on its performance in an increasingly challenging and competitive environment and signifies the commitment to create a firm foundation for growth.

To convert its growth objectives into tangible results for the year, the Bank adopted a market diversification strategy as the key driver of the lending model. This meant consolidating the Bank's position in the fast-growing retail sector by optimising the product mix to yield better results. Accordingly, greater emphasis was placed on promoting products such as personal loans, housing and leasing, a strategy that met with considerable success throughout the year as evidenced by the surge in credit growth in 2015 of 24.61%, compared to 13.48% in 2014.

Further, to grow the leasing portfolio, the Bank leveraged on the supportive business framework which allowed for more vehicle imports, leading to strong growth in the first three quarters of the year. However, this growth momentum slowed considerably in the final quarter, owing to the restrictions imposed on imported vehicles, together with the imposition of the 70:30 Loan-to-Value in September 2015. Nevertheless, the Bank's overall leasing portfolio registered year-on-year growth of 40.15% compared to growth of 22.52% in 2014.

Consolidation of the pawning portfolio continued in 2015 as well, as the entire pawning operation was rehashed based on the learning's from the 2013 crisis, and a host of new and improved process controls were introduced to better manage the disbursement criteria. Consequently, despite the low advance ratio and persistently low gold prices, the portfolio performed reasonably well and even registered a marginal year-on-year growth. The cards portfolio too gathered momentum on the back of ongoing investments to enhance the cards proposition offered to the market.

Meanwhile, spearheaded by the successful deposit campaign conducted across the island to promote Seylan Bank's dynamic range of deposit products that target a wide spectrum of customer segments from infants to senior citizens, the deposit book recorded growth of 20.76%, outperforming the 2014 growth rate of 11.08%.

The Bank reached a significant landmark during the year, where for the first time in its history, NPA's dropped below 5%, a testament not only to rigorous recovery and rehabilitation efforts but also that the quality of new credit in 2015 was much higher than in previous years.

The Bank continued to maintain optimal capital levels throughout the year, supported by prudent portfolio and cost management strategies. Further the Bank's track record of generating and retaining adequate profits also contributed to the strong capital levels.

Branch expansion continued at a slower pace during the current financial year, largely on account of the changes in the operating environment. However, ongoing refurbishments to the existing network neared completion. Meanwhile, the 2014 strategy to convert all Convenient Banking Centres to stand-alone branches, proved to be a timely move that has enabled the Bank to enhance the overall service proposition delivered through the network and ensuring faster turnaround times for customers.

Adding to the convenience offered to customers, a new website was launched, offering an exceptional user experience. The website was carefully planned from the users' point of view, with intuitive seamless navigation, easy access to necessary information and a user-friendly convenient experience.

The Seylan brand was recognised in the 'Top 20 Companies' by the LMD, yet another significant achievement to add to the long list of accolades received during the year.

Seylan Bank continued to maintain optimal capital levels throughout the year, supported by prudent portfolio and cost management strategies. Further the Bank's track record of generating and retaining adequate profits also contributed to the strong capital levels.

Sustainability Report

Our commitment to produce long term prosperity

EMPLOYEES

LOLC is committed to provide employees with a stable work environment that includes equal opportunity for learning and personal growth. The Group's central HR function is tasked with establishing, administering and effectively communicating corporate values, policies and practices that treat employees with dignity and equality, in compliance with employment and labour laws, corporate directives and labour agreements.

Moreover, as a signatory to the United Nations' Global Compact (UNGC) strategic policy initiative and its established code of principles, LOLC is guided by the 10 principles concerning human rights, labour, environment and anti-corruption promulgated by the UNGC.

Our goal is to promote the value of diversity in the workplace through the fair treatment of staff, open communications, personal accountability, trust and mutual respect and our strategy is driven by the following key pivots;

Competitive Benefits Structure

Providing competitive salary and benefits package to recruit, retain and promote those best qualified for the job. This forms part of LOLC's employer branding strategy aimed at positioning itself as an "employer of choice" in Sri Lanka's corporate sector.

Recruitment

In the year under review, LOLC hired 1613 (Below Officer grade new recruits) new entry-level employees, while further 109 (Asst: Manager and above grade new recruits) were added to the management grade, bringing the total employee cadre to 5371 (Total Carder) as at 31st March 2016. Efforts to widen the diversity

Our goal is to promote the value of diversity in the workplace through the fair treatment of staff, open communications, personal accountability, trust and mutual respect.

in the recruitment pool prompted the company to approach technical training schools, local youth groups and community-based vocational programmes, especially at a provincial and rural level, a move that resulted in over 6.5% (Number of hires through regional recruitment drives) of the new entry-level recruits being local hires.

Notably, the attrition rate increased from 15.35% (Actual Attrition rate) in 2014 to 15.62% in 2015.

Inclusion

A concerted effort was also made to encourage greater female participation in the workforce. Specific efforts in this regard, saw a new benefit plan being rolled out at LOLC Finance PLC, which offers female marketers an extra allowance. The plan was made available for existing employees as well as new recruits.

Collective Bargaining

With the Browns Group acquiring Pusselllawa and Maturata Plantations, came the challenges associated with managing a large workforce governed by a collective bargaining agreement. Being a new concept to the Group, LOLC's HR parameters were reassigned to make way for the collective bargaining process, which constitutes the main wage negotiation channel for the

plantation workforce. This was combined with widespread efforts by the central HR department to help these plantation companies to streamline their HR structure and to adopt the best practices followed by the LOLC Group.

Developing Employees as Strategic Business Partners

With the large number of new acquisitions to the Group in the recent past, one of the main focus areas for the central HR function was to assist new companies to sharpen their alignment with the Group HR structure.

Performance-based Incentives

Steps taken in this regard include, replacement of the flat ex-gratia payment mechanism at all the hotels under the Browns Group with a new performance-based remuneration scheme. This mirrors the Group policy where employee incentives are tied to both individual performance as well as individual Company performance. A similar scheme was introduced for the field force at BRAC Lanka Finance in a bid to drive volumes and improve efficiencies, which has shown higher positive results during the period under review. Also a similar incentive scheme was introduced to the Plantation sector which caters to industry specific parameters.

HRIS Platform

A new HRIS (Human Resource Information System) was launched during the current financial year, in part to benchmark the Group's employer branding strategy, but more importantly to facilitate greater employee engagement.

Designed as a strategic business enabler, the HRIS platform seeks to increase the value of the Group's human capital by enhancing profit per employee.

From an employees' perspective it acts as an empowerment tool to allow employees to rebrand themselves as highfliers, thereby boosting their career prospects within the Group.

HR-Drive Initiative

The "HR-Drive" initiative was launched during the year, a bold move aimed at reviving underperforming companies within the Group, where employees play a pivotal role in affecting a turnaround in the performance of the respective companies. This is done through the brain storming sessions and the formation of think-tanks, which act as a springboard for fresh ideas. The initiative was rolled out to a few companies including LOLC Motors and the Plantations companies, where visible progress were observed within a short span of time.

Learning and Professional Development

Underpinned by a strong learning culture, LOLC remains committed to provide adequate training opportunities to enable employees to enhance their repertoire of skills, a strategy that is aimed at realising the full potential of the workforce, while at the same time facilitating the career goals of individual employees.

As part of our employee development strategy, all LOLC employees are encouraged to pursue higher studies, for which financial support is provided by the Company, subject to certain eligibility criteria and prior management approval.

Employees are also entitled to reimbursements of membership fees of professional bodies depending on their relevance to the job function.

In tandem with our learning culture, we have also introduced internal programmes that encourage knowledge sharing, job rotation and job enrichment, which help employees to discover and develop their latent talent, thus opening up new career paths and opportunities for upward mobility.

Training

The investment on training amounted to Rs. 51 Mn for a total of 93,500 training hours for the current financial year, which resulted in an average of 22 training hours per employee.

Sustainability Report

	LOLC	LOMC	LOFIN	LOINS	LOITS	LTEC	LOSEC	LOFAC	LOMO	BRAC	CLC	BROWNS	DICKWELLA	EDEN	CALM	GREEN PARADISE	OUT SOURCED	EXCEL WORLD
Internal	28	36	45	32	1	1	0	1	1	28	40	3	9	36	4	10	19	3
External Customised	17	30	19	15	7	2	2	2	0	10	23	2	3	8	1	3	15	0
External Public	105	9	25	32	39	4	17	4	5	14	33	8	1	2	0	1	6	0
Induction	5	7	6	5	5	1	4	1	0	17	3	0	0	0	0	0	0	0
Overseas	6	2	3	5	6	2	0	0	0	1	3	0	0	0	0	0	0	0
Total Training Programmes	161	84	98	89	58	10	23	8	6	70	102	13	13	46	5	14	40	3

Mentoring and Coaching

A new mentoring programme that focuses on developing underperformers in the Financial Services sector was rolled out during the year. Linked to the annual performance evaluation mechanism, the programme categorises employees based on a 5-tiered system; Star Champion, Corporate Achiever, Achiever, Climber and Developer. The main aim of the programme is to develop employees found to be in the last two categories. This is done through regular motivational sessions in which employees in the top category share their knowledge and experiences and provide guidance to inspire underperforming employees to reach for greater heights.

Talent Development

The scope of the Management Development Programme, was expanded during the year. The programme, which forms a key part of the Group's talent development objectives, saw a total of 72 employees in three batches being selected from the Financial Services Sector, to participate in the 9-month Programme, which includes class rooms techniques, field visits, cross functional roles and individual coaching sessions. Further, the programme was driven by a pre and post 360-degree evaluation mechanism, to help determine the progress made by each participant.

Recognising High-Performers

- Pillars of Success (LOMC)
- Best Performing Branch (LOLC Finance PLC)
- Annual Sales Convention to recognise Best Performer (CLC)
- Annual Sales Convention to recognise Best Performer (LOLC Insurance)

Employee Volunteerism

As part of LOLC's learning culture, the Group encourages employees to participate in community development activities to uplift the lives of the underserved communities in Sri Lanka. It is hoped that such volunteer activities would offer the opportunity for employees to enhance and develop their skills in a way where their experiences could be a real asset to themselves, as well as the teams and service areas they work in.

All employees are expected to participate in the Group's main CSR project; "LOLC Care", but apart from this, individual departments organise their annual CSR projects focusing on a top priority need. Such efforts have paved the way for staff members to come together as a team and work for the greater good.

Employee Relations and Engagement

We practice an open-door policy, where employees may meet any senior manager including Group MD. Moreover, two-way communications is encouraged through cross-functional meetings and those conducted within business units, while suggestion boxes and online suggestion system "Bright Ideas" provide opportunities for employees to forward their ideas.

Regional officers are appointed to oversee communications at branch level and also act as a liaison between the central HR function and branch to communicate key management decisions that have an impact on the business.

Handling of Grievances

In seeking to create a dynamic work environment, LOLC is committed to provide solutions to workplace issues, thereby maximising the value of human capital and improving the alignment with LOLC's values, strategies and the needs of all stakeholders. Procedures are in place for employees to bring to the attention of the management, any issues concerning their well-being at work. If an employee believes a work condition or treatment is unjust or is a hindrance to effective operation or will create a problem, it could be escalated through the official grievance procedure. All grievances, including the whistleblowing policy are handled through the central grievance mechanism, a formal channel that ensures strict confidentiality. Once a grievance is filed, an ERM team is deployed to carry out a thorough investigation into the matter. Throughout the inquiry process, employees are kept informed regarding the status of their grievance.

Health and Well-being

The health and well-being of our employees is of paramount importance and as such, LOLC is committed to providing employees with a safe, healthy and supportive environment in which to work. Accordingly, all Group companies are fully compliant with all regulatory requirements, while additional safety policies and practices mandated by the Group help reinforce the safety culture across all businesses.

Having prioritised the health and well-being of the workforce, a new in-hose Medical Room was commissioned at the LOLC head office, in collaboration with Nawaloka Hospitals. The facility is accessible to staff during office hours and is equipped to provide a range of services including, on-call medical assistance and the service of General Physicians from a reputed hospital made available free of charge every Friday from 10 a.m. to 12.00 noon.

Meanwhile, improving the employees' work-life balance also forms a key part of the Group's health and well being strategy. Many of these activities, which are organised by the Group's SPIRIT Committee, seek to encourage employees to engage in activities other than their work-related duties.

Creating Awareness

A monthly well-being programme is conducted to create awareness among Financial sector employees, and address key issues that may have an impact on their general health and well-being.

Sustainability Report

Work-life Balance Activities

- LOLC 6-A-Side Cricket Tournament held in Galle on 10th May 2015
- LOLC Pirith Ceremony held at the LOLC Head Office Premises on 16th May 2015
- LOLC Olympics (Games of Unity) held at the Shalika Grounds on 17th October 2015
- First-ever Deepavali night, held at the LOLC Head Office Premises on 24th October 2015
- LOLC Kiddies Party, for the children of employees, held on 19th December 2015 at Excel World
- Participation in Mercantile Sports Tournaments

ENVIRONMENT

At LOLC, we believe that in order to protect the environment for future generations, we need to make the right choices now. And as a large conglomerate, we are always looking for new ways to reduce the environmental impact of our business and thereby minimise our environmental footprint.

Having identified areas where we can make a positive change, we continue to refine the policies and practices adopted by companies across the Group, to sharpen their alignment with LOLC's overall environmental objectives.

Given the Group's diverse business interests, our efforts focus on the following areas where we can make a clear difference;

Energy Management

Energy Efficiency

Energy Efficiency is now a major priority for the LOLC Group particularly as rapid business growth in the recent past has led to higher energy consumption levels, year-on-year.

Efforts to cut consumption, include an ongoing programme to replace existing lighting with energy-efficient lighting that turns off when spaces are unoccupied, along with regular awareness sessions to imbue energy saving practices in the day-to-day operations of each business unit.

Alternative Energy (AgStar PLC)

AgStar PLC uses one of its key by-products of rice milling; the paddy husk as a source of energy to fire its boiler during the process of rice steaming, thus eliminating the need to dispose of the husk and reducing what is sent to landfills. Further, the Company is also exploring ways to produce organic fertilizer using the large quantity of ash generated during the husk-burning process.

Alternative Energy (Gal Oya Plantations)

Gal Oya Plantations generates 20% of its energy requirement within the factory through the use of steam-fired boilers, which are powered by Bagasse, the fibrous matter that remains after the crushing of sugarcane to extract juice.

Meanwhile, with the completion of the proposed distillery plant, 75 to 80% of the energy requirements of the factory would be met by Biogas, which would significantly reduce the dependence on fossil fuels.

Renewable Energy (Sagasolar Power)

In keeping with the goal to pursue alternative energy sources, the Company initiated efforts to commission the country's first-ever utility scale Solar Farm. Located in Buruthakanda, Hambantota, which has the highest solar irradiation in Sri Lanka, the farm will house 48,000 Polycrystalline solar panels, with a capacity of 10 Mw and capable of contributing 20 million units annually to the national grid.

Waste Management

Material Waste

Paper remains necessary to our operations and is the single-largest material consumed across the Group. As such, we continue to examine paper use in each business unit to identify opportunities to reduce the volume of material we print, wherever possible and practical.

In this regard, our ongoing migration to e-communication channels targets a 10% year-on-year reduction in the volume of paper waste generated.

At the same time, we are working towards reducing our e-waste by 5% annually, through efficient management of our hardware, datacenters, servers, etc.

Effluents (Browns Hospitals)

All wastewater generated as part of the day-to-day operations of Browns Hospitals, is first treated at the in-house wastewater treatment plant prior to its release to the environment. Meanwhile, clinical waste is collected by a CEA licensed infectious/clinical waste management firm, which ensures the safe collection and proper disposal of infectious waste. All bio-medical waste is segregated from municipal waste, and is collected at a separate biomedical waste storage chamber to prevent odour generation and spill runoffs during the handling process.

Wastewater (AgStar PLC)

Being a highly water-intensive process, AgStar PLC's Rice Milling Plant consumes large volumes of water on a daily basis whereby reducing the water footprint remains a major concern for the Company. Hence, all water used during the milling process is first filtered through the CEA approved, in-house water treatment plant, prior to its release to the environment. Of the water treated on a daily basis, over 90% is released back to the environment.

Sustainability Report

Green Buildings

The LOLC Motors workshop is built using the latest 'Green House Technology' and is equipped for rain water harvesting, while a waste water treatment plant enables the workshop to re-use water and reduce dependence on the national water supply. Further, the ultra-modern workshop is also designed to capture maximum natural daylight during normal working hours, reducing its dependency on the national grid.

Clean Air

Gal Oya Plantations' main crop – sugarcane, is a C4 type plant, which during Photosynthesis promotes the efficient operation of the Calvin-Benson cycle and minimises photorespiration, thereby extracting more Carbon Dioxide from a given amount of air than other plants. Moreover, sugarcane is a C4 plant that grows throughout the year and also helps prevent water loss in dry climates.

Biodiversity Conservation

Reforestation (Maturata and Pusellawa Plantations)

As part of the efforts to increase the forest cover surrounding the estates, both Maturata and Pusellawa Plantations, carry out targeted conservation and habitat enrichment activities, aimed at preserving the waterways and tributaries in the up-country Montaine Forests and low-country Tropical Rain Forests.

Meanwhile, both companies have implemented an ongoing replanting programme to grow commercial timber and other commercially viable crops, in order to promote better land management practices, while terracing, mulching, weeding, growing of Manaa grass aim to prevent soil erosion in degraded Tea lands.

COMMUNITY

Corporate Social Responsibility (CSR) has been a long-standing commitment that has been embedded into the very fabric of the LOLC Group. It also forms an integral part of our strategy to tackle the issue of social inequalities by aligning our business model to address major national priorities. Our goal is to identify critical areas of development that require investments and intervention, followed by proactive support to ensure meaningful socio-economic development reaches a broader islandwide demographic. We believe that in doing so, we can enable a larger number of people to participate in, and benefit from economic progress.

Further, to make a more meaningful impact, we make sure our contribution to social sector developments are carried out mainly through direct project implementation as opposed to extending financial support to other organisations.

LOLC Care

"LOLC Care" is the Group's strategic CSR initiative that broadly underpins all activities carried out by companies across the Group. Launched in 2009, "LOLC Care" exemplifies the spirit of caring fostered throughout the Group, by focusing on the following key priority areas that are deemed to make a strong impact on progress and well-being of society:

1. The support of child welfare and caring for orphaned children by setting up orphanages
2. Uplifting the living standards of society by providing the basic amenities needed for living
3. Helping the sick with the appropriate medical assistance, to relieve them of their suffering
4. Identifying and providing sustainable assistance and business guidance to those with entrepreneurial skills, including the very low income group in our society, who would otherwise have no such access, through our small, medium and microfinance business

These goals are then translated into action across Group companies, via the following key themes;

Education

Having understood that education represents a critical driver in realising Sri Lanka's growth potential, we work with like-minded organisations, to support children from all sections of society to allow them access to quality basic education.

Key Commitments;

"Sisu Upahara" - (Sponsored by LOLC Micro Credit)

Launched in 2010, the "Sisu Upahara" programme is part of LOMC's cohesive strategy to bring prosperity to underserved communities in Sri Lanka by ensuring their right to socioeconomic development is fulfilled. "Sisu Upahara" is a child empowerment initiative that aims to foster tomorrow's leaders, vis-à-vis a three-pronged approach to develop the primary education of children from grass root level communities.

1. Skills development and exam preparation via educational programmes and seminars for children identified from need-based communities. This free programme is extended to all children in the identified community and not restricted to children of micro and SME clients' only
2. Providing scholarships and special rewards to high performing children of clients
3. These top-performers together with their parents are felicitated at a colourful awards ceremony, held annually

This year, a total of 774 students were felicitated through this programme, of which 212 students were provided with scholarships and gifts at the official ceremony. 562 students living in far-flung rural areas received their gifts personally from LOMC officials.

Since the inception of the programme, the Company has spent approximately Rs. 6.3 Mn on the "Sisu Upahara" scheme, having helped more than 2,000 children across Sri Lanka, to date.

Sustainability Report

Skills Development

With Sri Lanka's rapid transition towards becoming a major commercial hub in the Asian subcontinent, the widespread skills gaps that persist across the country have become increasingly pronounced, in the recent years. It is what has prompted the LOLC Group to launch its knowledge platform, an initiative that seeks to bridge skill gaps through the provision of timely and relevant skills capable of meeting the complex demands of a competitive economy.

Key Commitments;

Student Scholarship Degree Program (Sponsored by LOLC Technologies)

A scholarship programme that commenced five years ago in partnership with IIT (Informatics Institute of Technology) to facilitate young school leavers to obtain a University of Westminster University Degree from IIT. The programme targets students who are from rural areas of the country and have completed their GCE A/L, but who have failed to qualify for a place in local university education system and are unable to enter a private university due to financial difficulties. In addition to financial assistance, the programme also provides students with on-the-job training for a period of five years. The current year saw the 4th intake of 10 students being signed up, while the first batch of students completed their education, with many topping their batch.

SAPSA Sisu Nena Pahana Programme (Brown & Co. PLC - Agriculture Division)

Part of the ongoing MoU between the Brown's Agriculture Division and the Farm Machinery Training Centre (FMTC), the 'SAPSA Sisu Nena Pahana' programme, is a special initiative to educate students of agriculture on the proper use of farm machinery.

Financial Inclusion

LOLC strongly believes that the key to improving the overall economic conditions of the low-income population is to empower them with access to financial services. In this context, many of the Group's Financial Services sector businesses have implemented a range of tools that provide grass root level access to financing. These include, developing a range of market-driven microfinance products, improving the outreach and raising awareness among the target market.

Key Commitments;

"Group Lending" Scheme - (BRAC Lanka Finance)

A spinoff of the micro-credit concept, the "Group Lending" scheme requires prospective borrowers to form or join a group of three members, where each member of the Group act as mutual guarantors. Each member of the Group is allowed a maximum loan value of Rs. 200,000 to be repaid within a two-year loan cycle. Groups are organised into "centers" with 10 to 12 groups per center, who meet weekly to fulfil their financial responsibilities.

The BRAC Lanka Finance "Group Lending" model is unique in that, disbursements are made only to women, a strategy that seeks to fulfil LOLC's women's empowerment goals. In the current financial year, BRAC Lanka Finance disbursed Rs. 5.2 Bn to 179,000 new customers, under the "Group Lending" scheme, of which 70% were new customers.

Testimonials

“I am now in my 8th loan cycle and pleased with the continuous support and encouragement that I have received from the BRAC Lanka Finance credit officer. Her guidance has helped me to decide on how best I can use my loan to develop my pottery business as well as meet the educational needs of my children. - *E. Lalitha, Kurunegala.*”

“I am a small-scale manufacturer of ceramic ornaments and statuettes. After obtaining the first loan from BRAC Lanka Finance, I was able to buy the raw materials I needed, and expand my business. I now supply to many shops in and around Kandy and my income has doubled in just a few months. - *H.A.D. Hemamali, Kandy.*”

“As a traditional cloth designer, there was a good demand for my product from many buyers in Colombo. But working by myself I could not meet this demand. So then I used the loan I took from BRAC Lanka Finance, to hire another person to work with me, which helped me to increase my output and develop my business. From the additional income I generated, I was able to renovate my house and even build a small area for my business.
- *W.M.M.K. Senevirthne, Harispaththuwa.*”

Community Capacity Building

We recognise that economic progress and community development go hand in hand in creating a wealthier and more equitable society. Underpinned by this rationale, the LOLC Group continues to invest in a range of support activities that aim to improve the quality of life for communities that are impacted by various businesses across the Group.

Key Commitments;

Social Upliftment of Worker Communities (Maturata and Pussellawa Plantations)

An ongoing capacity building initiative by the Plantation Companies, to provide estate worker communities with housing and basic community infrastructure to improve their quality of life. During the year, with the assistance of the Plantation Human Development Trust and the Ministry of Estate Infrastructure Development, the Company undertook to construct two Creches at LDA and Diyanilla Divisions of the Liddesdale Estate, and built 15 new houses under the New Life Housing Continuation Programme at the Maha Uva Estate. A further 44 houses were built at the Gonapitiya Estate, a project funded by NHDA.

Further 10% of the cost of production is set aside annually, for welfare activities for plantation worker communities, specifically to provide medical assistance to the workers, their families and neighbouring communities. As part of this initiative, a series of health camps were held during the year at High Forest, Mahauwa, Mahakudagalla and Bramley Estates, offering free health screening facilities to a total of over 2,000 participants.

Community Support Initiatives (Gal Oya Plantations)

Gal Oya Plantations (Pvt) Ltd consists of 7,659 hectares of plantation land with approximately 5,200 hectares of cultivatable extent allotted amongst 4,400 families. Given the large number of communities depending on the business, the Company has always extended its support to ensure the socioeconomic well-being of these communities through regular interventions for the upkeep of community infrastructure, improvement of community health and sanitation standards, and support of religious and cultural activities that the community engages in.

Sustainability Report

The Company also owns and operates a fully equipped RO water purification plant, with an installed capacity of 100,000 litres per day. Chemical testing and monitoring is done daily by the Gal Oya staff and verified by experts at the National Water Supply and Drainage Board (NWSDB) to ensure water quality is maintained in accordance with NWSDB parameters.

Commissioned at a cost of Rs. 15 Mn, the plant currently provides clean drinking water for over 1,000 families who lack access to clean drinking water. Clean drinking water is seen as a dire need for these communities, given the high incidence of CKD (Chronic Kidney Disease), in the area.

Farmer Outgrower Model (AgStar PLC)

The Company maintains a community-based farmer outgrower sourcing model to procure its requirements of paddy. The mechanism offers mutual benefits, where backward integration gives the Company access to a guaranteed supply source, while the farmer is assured of a stable income; a win-win scenario for both parties.

Further, the Company provides farmers with ongoing technical support and special assistance to empower them with the tools required to improve the quality and yields, a strategy that has enabled these communities to boost their direct earning capacity.

Farmer Enrichment Programmes

- "Govi Nena Pahana" (Brown & Co. PLC - Agriculture Division)

  The "Govi Nena Pahana" initiative is part of the ongoing MoU between the Brown's Agriculture Division and the Farm Machinery Training Centre (FMTC) to introduce agricultural mechanisation to farmer communities, and raise awareness regarding the proper use of such equipment, all of which will enable them to migrate to more sustainable agricultural practices in the longer term.

- Veterinary Pharmaceuticals Division

  The Veterinary Pharmaceuticals Division conducts ongoing educational programmes for farmers across Sri Lanka, to create awareness regarding modern farming practices, including the latest trends in the broiler and layer industries, chronic farm animal diseases, methods on increasing productivity and the prevention of disease. During the year, two such programmes were held and were well attended, with over fifty participants at each programme.

  A third programme was conducted in partnership with Nevil Farm and supported by Zagro, a company specialising in avian biological products. The programme, which saw the participation of over 100 farmers, is part of a series of monthly educational programmes, aimed at reaching farmers across the country.

The Board of Directors

Mr. R M Nanayakkara

Mr. I C Nanayakkara

Mr. W D K Jayawardena

Deshamanya M D D Pieris

Dr. R A Fernando

Mrs. K U Amarasinghe

Mr. H Nishio

Mr. H Yamaguchi

The Board of Directors

R M Nanayakkara

Mr. Rajah Nanayakkara is the Founder and Executive Chairman of Ishara Traders (Pvt) Ltd, a business which pioneered the import and sale of new and reconditioned motor vehicles. Thirty years later, this organisation remains an industry leader. He was also the Founder Chairman of the Motor Vehicle Importers Association of Sri Lanka, and continues to play a significant role to this day.

Mr. Nanayakkara is also the Chairman of Ishara Plantations (Pvt) Ltd - an Award Winning Estate of Tea and Spices - and Chairman of Ishara Property Development, a company which has been involved in construction for the past 18 years.

Mr. Nanayakkara also serves on the Board of Brown & Company PLC, as well as Browns Investments PLC.

I C Nanayakkara

Mr. Ishara Nanayakkara is a prominent entrepreneur serving on the Boards of many corporates and conglomerates in the region. He initially ventured into the arena of financial services with a strategic investment in Lanka ORIX Leasing Company PLC and was appointed to its Board in 2002. Today, he is the Deputy Chairman of LOLC and the Executive Deputy Chairman of LOLC Finance PLC (previously known as Lanka ORIX Finance Company PLC), holding directorships in many of its subsidiaries and associate companies.

Backed by over a decade of professional experience in the industry, Mr. Nanayakkara holds the role of Chairman of Commercial Leasing & Finance PLC, one of Sri Lanka's leading financial service providers for over 27 years, as well as LOLC Life Assurance Limited. He is also the Deputy Chairman of Seylan Bank PLC, a premier commercial bank in the country. His vision to cater to the entire value chain of the finance sector manifested in the development of Microfinance, Islamic Finance, Factoring through LOLC Factors, LOLC Life & General Insurance Companies and Stock Broking through LOLC Securities Ltd.

Leveraging LOLC Group's expertise in the SME sector, the expansion into the Micro sector was spearheaded by Mr. Nanayakkara, who is the Chairman of their Micro Credit Companies: LOLC Micro Credit Ltd, the only private sector microfinance institution in the country with foreign equity, PRASAC, the largest microfinance Company in Cambodia and BRAC Lanka Finance PLC. Mr. Nanayakkara's interest in microfinance lead to the inauguration of LOLC Myanmar Micro Finance Company Ltd, a green field investment in Myanmar in which he was the founding Chairman, and currently serves as a Director. His proficiency in microfinance in the region is further demonstrated by his involvement at strategic level in LOLC Cambodia Ltd (Previously known as Thaneakea Phum Ltd); the 5th largest microfinance company in Cambodia. He was also recently appointed as a Director in LOLC International Private Limited.

Mr. Nanayakkara's motivation to expand into various growth peripheries is further illustrated through his role as the Executive Chairman of Brown & Company PLC and Browns Investments PLC. Browns Group is a renowned conglomerate with leading market position in trade, leisure, power generation, healthcare, manufacturing, consumer appliances and agriculture equipment. Through strategic investments, he is committed to catalysing development in the growth sectors of the Sri Lankan economy such as construction. Mr Nanayakkara's involvement in the Boards of AgStar Fertilizers PLC, Associated Battery Manufacturers (Cey) Ltd, Sierra Constructions Ltd, and Sagasolar Power (Private) Limited reflects this business philosophy.

His passion for sustainable investment is reflected through his involvement in renewable energy, forestry and plantations. As such, Mr. Nanayakkara was also appointed as the Chairman of Browns Capital PLC (Previously known as FLC Holdings PLC), Browns Hydro Power PLC (Previously known as F L C Hydro Power PLC), and a Director at Pussellawa Plantations Ltd, and FLMC Plantations (Pvt) Ltd, subsequent to a recent acquisition.

Endorsing his entrepreneurial spirit, Mr. Ishara Nanayakkara received the prestigious 'Young Entrepreneur of the Year' Award at the Asia Pacific Entrepreneurship Awards (APEA) in 2012. He holds a Diploma in Business Accounting from Australia.

W D K Jayawardena

Mr. Kapila Jayawardena counts over 33 years' experience in Banking, Financial Management and Corporate Management. He was appointed as the Group Managing Director/CEO of Lanka ORIX Leasing Co. PLC in 2007. He was the former CEO/Country Head of Citibank Sri Lanka & Maldives.

He has played a pivotal role in the Banking sector contributing to the financial market reforms, development and regularly advising regulators on prudential requirements and has widespread experience in introducing innovative financial service products to the market.

LOLC Group is one of the largest conglomerates in Sri Lanka with presence in diversified industries such as Financial Services, Trading, Manufacturing, Construction, Leisure and Renewable Energy.

As an individual with extensive international and domestic financial experience, he was a key member of the following committees.

- Chairman Sri Lanka Bank's Association (SLBA) 2003/2004
- Member of the Financial Services Reforms Committee (FSRC) 2003/ 2004
- Director of Lanka Clear and was instrumental in completing the automated clearing project for the Sri Lankan banking industry 2004
- President of the American Chamber of Commerce Sri Lanka 2006/2007
- Member of the inaugural Sovereign Ratings Team for Sri Lanka
- Member of the National Council of Economic Development (NCED)
- Board Member of the United States-Sri Lanka Fulbright Commission

Presently, he holds Chairmanship/Directorship in the following companies:

- Lanka ORIX Leasing Company PLC - Managing Director/ Group CEO
- LOLC Finance PLC - Chairman
- LOLC Securities Limited - Chairman
- Eden Hotels Lanka PLC - Chairman
- Palm Garden Hotels PLC - Chairman
- LOLC General Insurance Ltd - Chairman
- LOLC Micro Credit Ltd - Director
- Commercial Leasing & Finance PLC - Director
- Brown & Company PLC - Director
- Browns Investments PLC - Director
- Seylan Bank PLC - Director
- BRAC Lanka Finance PLC - Director
- Riverina Resorts (Pvt) Ltd - Director
- Browns Capital PLC - Director
- Pussellawa Plantations Limited - Director
- Browns Hydro Power PLC - Director
- FLMC Plantations (Pvt) Ltd - Director
- LOLC International (Pvt) Ltd - Director

Qualifications:

- Master of Business Administration, American University of Asia
- Fellow of the Institute of Bankers, Sri Lanka
- Associate of the Institute of Cost and Executive Accountants, London

M D D Pieris

Deshamanya M. D. D. Pieris is a graduate of the University of Ceylon (Peradeniya); Fellow of the Chartered Management Institute, UK and has been conferred the Degree of Doctor of Letters (Honoris Causa) by the University of Colombo and the title of Honorary Senior Fellow by the Postgraduate Institute of Medicine.

Deshamanya Pieris is an illustrious retired civil servant, who in the course of his distinguished career in the public service has held several important posts, including that of Secretary to the Prime Minister; Secretary, Ministry of Public Administration, Provincial Councils and Home Affairs; Secretary, Ministry of Agriculture, Food and Co-operatives; Secretary, Ministry of Education and Higher Education; and Chairman and Director General of Broadcasting.

He has also acted on several occasions in addition to his duties, in the posts of Secretary to the Ministry of Defence and External Affairs and Secretary to the Ministry of Trade and Shipping.

He has at various times been the Chairman of the National Institute of Education; Chairman – Board of Management of the Sri Lanka Institute of Development Administration; and Chairman of the Agrarian Research and Training Institute.

He has also served on the Governing Councils or Boards of Management of several Universities and Postgraduate Institutes.

He has been a Director of Peoples' Bank, People's Merchant Bank PLC and a member of the Rural Credit Advisory Committee of the Central Bank.

He has served as a member of the National Salaries Commission and as a member of the Presidential Commission on Finance and Banking.

Within the LOLC Group, he has also served as Director on the Board of LOLC Finance PLC, as well as some subsidiaries of the LOLC Group. He currently chairs the Integrated Risk Management Committee, the Audit Committee and the Corporate Governance Committee of LOLC and is a member of the Talent Development and Remuneration Committee.

The Board of Directors

Currently, he also serves as Deputy Chairman - Mercantile Merchant Bank Ltd and as member of the Board of MMBL Logistics (Pvt) Ltd, MMBL Money Transfer (Pvt) Ltd, and Pathfinder Holdings (Pvt) Ltd. He also serves on the Board of Mountain Hawk Express (Pvt) Ltd a Hayleys Group company, who is the licensee for the U.S. Federal Express Corporation.

Deshamanya Pieris is a Director of the Governing Board of the Regional Centre for Strategic Studies. He is also currently the Chairman of the Board of Management of the Institute of Information Technology; a member of the Board of the Lakshman Kadirgamar Foundation; and a member of the Academic Affairs Board for the Postgraduate Programmes of the Sri Lanka Institute of Development Administration.

He has also been recently appointed by the University Grants Commission as a member of the Board of Management of the Institute of Indigenous Medicine of the University of Colombo for a period of three years, and reappointed for a further three years to the Board of Management of the School of Computing of the University of Colombo.

Deshamanya Pieris lectures at the Regional Centre for Strategic Studies; the Kotelawala Defense University; the Bandaranaike International Diplomatic Training Institute; and the Defence Services command and Staff College.

He has, on invitation delivered four convocation addresses at the Open University; the University of Ruhuna; the University of Sri Jayawardanapura; and the University of Colombo. He has also delivered three Orations; namely the Lalith Athulathmudali Memorial Oration; the Sir Ponnambalam Arunachalam Memorial Oration; and the Vidyajothi Professor V. K. Samaranayake Memorial Oration.

R A Fernando

Dr. Ravi Fernando is a blue ocean strategist with a sustainability mind set. He is an Alumni of the University of Cambridge having completed the Climate Leadership Programme in 2007, a Post Graduate Certificate in Sustainable Business at Cambridge University in 2008 and a Master of Studies in Sustainability Leadership at Cambridge University in 2014. He was a Wolfson College alumni at Cambridge University. He holds a Doctor of Business Administration Degree from the European University in Geneva 2016.

He also holds an MBA from the University of Colombo and is a Fellow of the Chartered Institute of Marketing (UK). He holds a Diploma in International Management and completed the Advanced Management Programme at the INSEAD Business School in Frances.

He was the United Nations Global Compact Focal point for Sri Lanka 2003-2010 and was the founder of the UN Global Compact Sri Lanka network in 2010 and is a Director of UNGC Sri Lanka Board. He is Chairman/CEO of Global Strategic Corporate Sustainability Pvt. Ltd which currently operates in Vietnam, Sri Lanka and China.

His career with Multi-nationals spanned 1981-2003, Unilever, Sterling Health International, Smithkline Beecham International covering Africa, Middle East and Asia as CEO/Managing Director, Business Development and Marketing Management positions between 1981-2007. He was the first CEO SLINTEC (Sri Lanka Institute of Nanotechnology) 2008-2010 and was a member of the National Task Force on Development of the 5 year Science and Technology Strategy 2010.

In Academia, He was a visiting faculty member of the INSEAD Advanced Management Programme from 2005-2010 teaching the subject ‘Strategic Corporate Sustainability’. He is an Executive in Residence at the INSEAD Social Innovation Centre since September 2010 to date. He is also on the visiting faculty of the Deusto Business School (Bilbao) and Univiersitat of Pompeu Fabra (Barcelona) in Spain and University of Colombo MBA teaching ‘Strategic Corporate Sustainability’. BABSON College published three case studies on his work experiences in Kenya and Vietnam in the GVV series in 2012-14 and he was involved in over 7-8 Case studies at the INSEAD Business School between 2006-2010.

In November 2015 he published ‘Strategic Corporate Sustainability – 7 Imperatives for Sustainable Business’ (Partridge: Penguin Random House), based on his work at Cambridge University.

In September 2007 he won a “Global Strategy Leadership Award” at the World Strategy Summit for his work on Ethical Branding in the Apparel and Tea sectors receiving the award from Prof. Renee Mauborgne of INSEAD Business School.

Mrs. K U Amarasinghe

Mrs. Kalsha Amarasinghe was appointed to the Board in August 2002. She holds an Honours Degree in Economics.

She serves on the Boards of Lanka ORIX Leasing Company PLC, LOLC Finance PLC, LOLC Micro Credit Ltd, LOLC Life Assurance Ltd, Palm Garden Hotels PLC and Eden Hotel Lanka PLC. She also serves as a Director on the Boards of Commercial Leasing & Finance PLC, Brown & Company PLC, Browns Investments PLC, Riverina Resorts (Pvt) Ltd, Browns Hydro Power PLC, Browns Capital PLC, Pussellawa Plantations Ltd, Melfort Green Teas (Private) Ltd and FLMC Plantations (Pvt) Ltd.

H Nishio

Mr. Hiroshi Nishio joined ORIX in 1991. He served as head of various overseas operations including Malaysia and the USA. After serving as General Manager of ORIX Real Estate Corporation, he was appointed President & CEO of ORIX Asset Management Corporation in January 2013.

In January 2014, he was made an Executive Officer and was appointed a Deputy Head of Global Business and Alternative Investment Headquarters of ORIX Corporation.

H Yamaguchi

Mr. Harukazu Yamaguchi joined ORIX in 1990. He served as head of various overseas operations including Indonesia and Thailand. After being a Chairman & CEO of ORIX Auto Leasing (Thailand) Co., Ltd in April 2008, Mr. Yamaguchi was appointed a President of Thai ORIX Leasing Co., Ltd in January 2010.

In February 2011, he was appointed an Executive Vice President of Global Business and Alternative Investment Headquarters, ORIX Corporation.

In January, 2016, he was made an Executive Officer and was appointed a Deputy Head of Global Business and Alternative Investment Headquarters of ORIX Corporation.

Corporate Management Team

Ms. Sharmini Wickremasekera
Chief Risk Officer - LOLC Group

Mr. Soloman Jesudasan
Chief Officer - Marketing Operations - LOLC

Mr. Graham Lawrence
Group Head of Corporate Sales & Social Media

Mr. Ravi Tissera
Director/Chief Executive Officer - LOLC Micro Credit Limited

Ms. Gayani de Silva
Chief Officer - Customer Relationship Management

Mr. Krishan Thilekaratne
Director/Chief Executive Officer, Commercial Leasing & Finance PLC and Valuation Unit

General Manager - Islamic Business Unit of LOLC Finance PLC

Mr. Ashan Nissanka
Director/Chief Executive Officer - LOLC Finance PLC

Mr. Rohana Kumara
Chief Operating Officer - LOLC Micro Credit Limited

Deputy Chief Executive Officer - BRAC Lanka Finance PLC

Mr. Anura L. Dharmaprema
Corporate Executive Officer - Recoveries, LOLC

Mr. Brindley de Zylva
Chairman LOLC Cambodia PLC

Managing Director LOLC Myanmar Microfinance Company Limited

Mr. Kithsiri Gunawardena
Chief Operating Officer - LOLC

Chief Legal Officer - LOLC Group

Ms. Sunjeevani Kotakadeniya
Chief Financial Officer - LOLC Group

Mr. Jayantha Kelegama
Chief Credit Officer - LOLC Group

Mr. Eksath Wijeratne
General Manager - Browns Hotels & Resorts

Executive Director - Millennium Development Pvt Ltd/Excel Restaurants Pvt Ltd (EXCELWORLD)

Mr. Conrad Dias
Chief Information Officer - LOLC Group

Managing Director/Chief Executive Officer - Lanka ORIX Information Technology Services Ltd/LOLC Technologies Limited

Mr. Gunendra Jayasena
Chief Administration Officer - LOLC Group

General Manager - LOLC Ventures

Corporate Management Team

Mr. Rohan Perera
General Manager/Group Treasurer - LOLC Group

Mr. Susaan Bandara
Chief Officer - Marketing Communications - LOLC Group

Dharini Fernando
Chief Operating Officer – LOLC General Insurance Limited

Tilak Selviah
Director/COO - Leisure Sector, Browns Investments PLC,

Director/General Manager-Browns Hotels and Resorts Limited

Mr. R.A.C. Jayemanne
Consultant Director - Project Development Browns Hotels and Resorts Limited

Sriyan Gurusinghe
Managing Director/Chief Executive Officer - LOLC Securities Limited

Nilanga Wickramasinghe
Chief Operating Officer - LOLC Insurance

Sharmini Wickremasekera
CISA, CRISC

Chief Risk Officer - LOLC Group

Joined in 1983. Counts over 30 years of experience in Finance, Accounting, Credit, Internal Auditing, Information Systems Auditing and Governance, Enterprise-wide Risk Management, Business Continuity Management and Business Process Reengineering. Member and a Past President of ISACA Sri Lanka Chapter. Led the processes of ERM at LOLC and the ISACA SL Chapter to a level of gaining global recognition.

Solomon Jesudason
Chief Officer - Marketing Operations - LOLC

Joined in 1988. Counts over 28 years of experience in the Leasing Industry in Finance and Marketing Operations.

Currently responsible for the Customer Servicing Operations, which includes Application Processing for Finance Leases, Hire Purchases, Loans, LC Facilities, Insurance, Savings, FD Operations, RMV Operations, Working Capital and Microfinance Products.

Graham Lawrence
Group Head of Corporate Sales & Social Media

Joined in 1992. Counts over 28 years of experience in the Financial Services Sector. Began his career as a Banker and has evolved to general management having covered Marketing, Credit and Recovery of Diverse Financial Products, including Leasing and Factoring. Also serves on the Board of LOLC Factors Ltd.

Ravi Tissera
Director/Chief Executive Officer- LOLC Micro Credit Limited

Joined the LOLC Group in 1993 and is a Development Finance Specialist. He conceptualised and introduced microfinance to the LOLC Group. Mr. Tissera has obtained his post Graduate Diploma in Marketing and is a member of the Chartered Institute of Marketing, UK and has followed Strategic Leadership Training in Microfinance at Harvard Business School. As Head of Microfinance, LOLC Group, he serves on the Boards of LOLC Micro Investments Ltd, LOLC Myanmar Micro Finance Co Ltd, Thaneakea Phum (Cambodia) Limited and BRAC Lanka Finance PLC. In addition he is also on the Board of Sundaya Lanka (Pvt) Ltd.

Gayani de Silva
Attorney-at-Law, MBA (Sri J)

Chief Officer - Customer Relationship Management

Joined LOLC in 1994. Counts over 20 years' experience in financial services, covering areas of credit, marketing strategy, value chain management, corporate restructuring, strategic planning, marketing and corporate communication, business development, strategic tie-ups, SME and development finance portfolio management, customer relationship management, call centre management, sales funnel management, productivity and process management, corporate social responsibility and corporate sustainability.

Mr. Krishan Thilekaratne
Director/Chief Executive Officer, Commercial Leasing & Finance PLC and Valuation Unit
General Manager - Islamic Business Unit of LOLC Finance PLC

Mr. Thilakaratne is the Director/CEO of Commercial Leasing & Finance PLC. He is also the Head of Islamic Finance Business of LOLC Group and the Head of Valuation Unit of LOLC under LOLC Motors Ltd.

Mr. Thilakaratne also serves as a Director of Commercial Insurance Brokers (Pvt) Ltd, which is the market leader in Insurance Brokering in Sri Lanka.

Previously he held the positions of CEO of Lanka ORIX Factors and CEO, Auto Finance of the LOLC Group. He conceptualised the introduction of Islamic Finance to LOLC Group in 2007.

He is an Associate Member of Institute Bankers of Sri Lanka (AIB) and joined the LOLC Group in 1995.

Mr. Ashan Nissanka
Director/Chief Executive Officer - LOLC Finance PLC

Mr. Ashan Nissanka was appointed to the LOLC Finance Board as its Director and Chief Executive Officer in October 2015. He counts over 22 years of experience in the Banking and Finance sector having commenced his career in 1993 with Seylan Bank PLC prior to joining LOLC Group in 1998 and having held the responsibilities of Strategic Marketing Planning, Development and Management of the Retail Channels for LOLC Finance PLC, LOLC Micro Credit Ltd, and LOLC Insurance Ltd. He possesses an MBA from Edith Cowan University, Australia, a Graduate Diploma from Chartered Institute of Marketing – UK (CIM) as well as is a member of Sri Lanka Institute of Marketing (SLIM). He currently serves as a member of the Council of Management of the Finance Houses Association of Sri Lanka, and as a Deputy Chairman of The Financial Ombudsman Sri Lanka (Guarantee) Limited.

Rohana Kumara
MBA,CIM (UK)

Chief Operating Officer - LOLC Micro Credit Ltd
Deputy Chief Executive Officer - BRAC Lanka Finance PLC

Joined in 1998. Counts over 23 years of experience in Banking, Credit Management, Strategy Development, Marketing and Microfinancing.

Corporate Management Team

Anura L. Dharmaprema

Corporate Executive Officer – Recoveries, LOLC

Joined in 1998. Counts over 26 years of experience in Recoveries in the Financial Services Industry.

Previously a Senior Collections Manager of a leading finance company. Anura has been appointed as a Director of LOLC Services Ltd.

Brindley de Zylva

Chairman LOLC Cambodia PLC, and Managing Director LOLC Myanmar Microfinance Company Limited

Counts over 30 years' experience in the Non-Banking Financial Services Sector and is a Fellow of the Sri Lanka Institute of Credit Management. He joined the LOLC Group in 2003 as the Managing Director and CEO of LOLC Finance PLC. In October 2015 he took over as the Chairman of LOLC Cambodia PLC & Managing Director of LOLC Myanmar Microfinance Company Limited, two Micro Finance Institutions of the LOLC Group operating in the Mekong Region.

Kithsiri Gunawardena

Attorney-at-Law, Postgraduate Diploma in Marketing Management (PIM, Sri Jayawardenapura.)

Chief Operating Officer - LOLC, Chief Legal Officer - LOLC Group

Joined LOLC in 2004. Counts over 25 years of experience as a Lawyer. Held a number of important positions in the State, including the office of State Counsel attached to the Attorney General's Department, the Office of Director – Legal & Enforcement of the Securities and Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka and was involved in setting up the Consumer Affairs Authority as its first Director General.

He serves on the Boards of a number of local and overseas subsidiaries within the LOLC Group.

Sunjeevani Kotakadeniya

FCMA (UK), CGMA (USA), MBA (Col.)

Chief Financial Officer - LOLC Group

Joined LOLC in 2005 and carries responsibility for the Group's finance function. Her 28 years of working history covers extensive exposure to Financial and General management practices including strategic planning, fund management and administration, IT management, Treasury management, New business set up, process re-engineering. Change management, ERP implementation and project management. Her experience covers industries of financial services, insurance, leisure and plantation sectors. Sunjeevani has been appointed as Director of several subsidiaries within the LOLC Group. She is a Member of the Statutory Accounting Standards Committee, Sri Lanka.

Jayantha Kelegama

BA (Hons.) - University of Delhi

Chief Credit Officer - LOLC Group

Joined in 2005. Counts over 18 years of experience in Leasing, Asset Financing, Credit Risk Management and Banking. Jayantha has been appointed as a Director of identified subsidiaries within the LOLC Group.

Eksath Wijeratne

FCHSGA - IHM

General Manager - Browns Hotels & Resorts

Executive Director - Millennium Development Pvt Ltd/Excel Restaurants Pvt Ltd (EXCELWORLD)

Fellow Member of CHSGA and Member of Institute of Hospitality. Counts over 25 years of experience in the hospitality industry; served many leading hoteling establishments in Sri Lanka in senior positions. Has executed several hotel refurbishment projects.

Qualified trainer in ISO and HACCP Standards training; also a qualified SATS trainer in Hotel operations. Contributed in numerous ways to boost up and develop the professional careers of young and upcoming hoteliers in Sri Lanka.

Currently serves as a Board Member of the Sri Lanka Institute of Tourism and Hotel Management. Vice President of the Bentota-Beruwela Hoteliers Association. Also served as the President of the Ceylon Hotel School Graduates Association.

Conrad Dias

FCMA (UK), CGMA (USA), FBCS (UK), MBA (University of Leicester)

Chief Information Officer - LOLC Group, Managing Director/Chief Executive Officer - Lanka ORIX Information Technology Services Ltd, /LOLC Technologies Limited

Joined in 2006. Experienced professional in Information Technology, Software Engineering, Project Management, Strategic and Investment Planning,

Finance Management, Corporate Restructuring and Unit Trust & Fund Management. Possesses domain expertise in sectors such as Trading, Banking and Finance, Asset Management and Manufacturing.

Gunendra Jayasena

Chief Administration Officer - LOLC Group

General Manager - LOLC Ventures

Joined in 2007. Counts over 23 years of experience in Manufacturing, Administration and Plantation Management. Gunendra has been appointed as a Director in several subsidiaries within the LOLC Group.

Rohan Perera

MBA, Edith University of Perth, Australia

General Manager/Group Treasurer - LOLC Group

Joined in 2007. Counts over 27 years of experience concentrated on Banking and Corporate Treasuries with expertise in Treasury Management including Strategic Risk Management, ALM and Cash Management. Competent in operational management with capacity in handling financing of high value projects. Starting his career as a Banker and particularly in its Treasuries; from thereon moved to Corporate Treasuries. Pioneered the concept of Corporate Treasuries in Sri Lanka. Involved in setting up of the Corporate Treasurers' Association as its Founder President.

Susaan Bandara

Dip. MCIM (UK)

Chief Officer - Marketing Communications - LOLC Group

Counts over 10 years of service at LOLC and over 25 years' experience in servicing Private Sector, Banking and Non-Banking Financial Institutions. Areas of expertise cover Sales and Marketing, Distribution Management, Market Analysis, Marketing Communications with multiple stakeholder groups, Business Development in Overseas Markets, Strengthening Brand Equities, Credit Management and Recoveries, Strategic Marketing Planning, Entrepreneur Development Programmes, Customer Relationship Management, Corporate Social Responsibility and Sustainability.

Dharini Fernando

Chief Operating Officer - LOLC General Insurance Limited

Joined in December 2010. Counts nearly 20 years' experience and has worked with a number of leading multinational insurance companies in varying roles at senior management level. Has wide local and international exposure and experience in both Life and General insurances, especially in the areas of Reinsurance, Property, General Accident and Health and Casualty (Liability) lines of business. She has also been closely involved in the implementation of insurance systems in multinational companies.

Tilak Selviah

FIH (UK),FCTH(UK).

Director/COO - Leisure Sector, Browns Investments PLC,
Director/General Manager - Browns Hotels and Resorts Limited

Joined LOLC in 2010 and counts over 30 years' experience in Corporate Senior Leisure Management. Previously served as Director-Operations and Administration of a leading Blue chip conglomerate hotel chain Company for many years. Was responsible for initiating and commissioning several large scale hotel projects.

Professional hotelier with a vast experience in all aspects of Hotel Management and project implementation.

R.A.C. Jayemanne

CHA (USA); DipHM (USA)

Consultant Director - Project Development
Browns Hotels and Resorts Limited

Hailing from a management accounting background, he counts over four decades of experience in a myriad of industries such as shipping, leisure, imports, exports, travel, transport, merchant banking, ship services, estate management and garment manufacture. Over 3 decades of such experience has been in senior management positions predominantly in the leisure sector, much of it with 5 star properties managed by international hotel chains.

He is a member of the Committee of Management of The Hotels Association of Sri Lanka.

Sriyan Gurusinghe

ICMQ (UK)

Managing Director/Chief Executive Officer - LOLC Securities Limited

Joined in 2011. Counts over 23 years of experience in stock brokering. Previously Director/General Manager at Ceylinco Stock Brokers for 14 years. He has served as a President of the Colombo Stock Brokers' Association.

Nilanga Wickramasinghe

PGDipMgt, CIAM, LUTCF(USA), Dip LIM(USA), CMSLIM, MCPM

Chief Operating Officer - LOLC Insurance

Joined LOLC in 2015 to head the Insurance Operations of the Group. Possesses a career span of 27 years in Service Marketing covering Leisure, Specialised Banking and over 20 years of Life & Non-Life Insurance Management. Extensive exposure to Strategic Business Management, Sales & Marketing, Distribution Management, Total Performance Management, Channel Development, Bancassurance and Product Development together with Training & Development in large scale business organisations both in private and public sectors in Sri Lanka. He is a Certified Moderator for LIMRA USA and Life Underwriters Training Council, MII/USA.

Operational Management Team

Nihal Weerapana
DGM, Recovery - Commercial Leasing & Finance PLC

Jithendra Gunatileka
Head of Finance Operations - LOLC

Mehra Mendis
DGM, Fleet Management Services - LOLC

Chrishanthi Emmanuel
Director, LOLC Corporate Services (Pvt) Limited

Sujeewa Vidanapathirana
DGM, Business Development - LOLC General Insurance Limited

Jude Anthony
DGM, Branch Network - Commercial Leasing & Finance PLC

Isaac Devshanker
CEO, LOLC Factors Ltd./DGM, Metro Region - LOLC

Montini Warnakula
Head of SME Business Unit/ DGM, Western II & North Western Regions - LOLC

Chandana Jayanath
Chief Operating Officer, Recoveries - LOLC

Roshani Weerasekera
Head of Marketing - (Savings & Deposits) - LOLC Finance PLC

Sanjaya Kalidasa
DGM, Treasury - LOLC

Pradeep Uluwaduge
Head of Human Resources - LOLC Group

Sudarshini de Almeida
AGM, Marketing Operations - LOLC

Mallika Abeykoon
AGM, Finance - LOLC

Nishanthi Kariyawasam
DGM, Finance Corporate - LOLC

Head of Finance - Commercial Leasing & Finance PLC

Enoka Jayampathy
Head of Tax Management and Compliance – LOLC

Bahirathan Shanmugalingam
AGM, Finance - LOLC

Chumley Ranatunge
AGM, Recoveries - LOLC

Operational Management Team

Preethimali Soosaithasan
AGM, Client Management - LOLC Factors Ltd

Yanik Fernando
AGM, Eastern & Uva Regions - LOLC

Shantha Rodrigo
AGM, Central Region - LOLC

Deepamalie Abhayawardane
DGM, Factoring - Commercial Leasing & Finance PLC

Sudath Premaratne
AGM, Recoveries - LOLC

Upul Samarasinghe
AGM, Credit - Commercial Leasing & Finance PLC

Lal Abeyratne
AGM, Factoring - Commercial Leasing & Finance PLC

Pradeep Madurusinghe
AGM, Negombo Region - Commercial Leasing & Finance PLC

Indunil Herath
AGM, Sabaragamuwa & Central II – LOLC

Gamini Jayaweera
AGM, Northern & North Central Regions - LOLC

Sanjaya Samarasekera
AGM, Credit Risk Management - LOLC

Nalaka Mohotti
AGM, Southern Region - LOLC

Shashika Dias
AGM, Legal - LOLC

Amarasi Gunasekera
AGM, Strategic Business Research & Development - LOLC

Hasala Thilekaratne
AGM, Southern II & Western II Regions - LOLC

Jayantha Dharmapriya
AGM, Legal - LOLC

Gayantha Weerakoon
AGM, Enterprise Risk Management - LOLC

Tharanga Indrapala
AGM, Operations - Commercial Leasing & Finance PLC

Operational Management Team

Mohan Thilakawardena
AGM, Underwriting & Operations - LOLC General Insurance Ltd

Indika Ariyawansa
AGM, Credit Risk Management - LOLC

Shiraz Refai
AGM, Al-Falaah Islamic Business Unit

Navindra Amadoru
AGM, Administration - LOLC

Dulip Samaraweera
AGM, Strategic Business Research & Development - LOLC

Sanakan Thamotharampillai
Chief Financial Officer - Browns Group

Imraz Iqbal
Head of Finance - LOLC Finance PLC

Saliya Dias
AGM, Life (Technical & Operations) - LOLC Life Assurance Ltd

Heshan Ferdinand
AGM, General (Technical & Operations) - LOLC General Insurance Ltd

Rohana Chandrasiri
AGM, Branches - LOLC Securities Ltd

Manish Rodrigo
AGM, Sales - LOLC Securities Ltd

Nadika Opatha
Head of Corporate Sales - LOLC Life Assurance Ltd

Wasantha Batagoda
AGM, Legal & Strategic Business - LOLC

Adrian Jansz
Head of Sales & Marketing - Browns Hotels and Resorts Ltd

Manjula Kumarasinghe
Chief Operating Officer, Sales & Marketing - LOLC Securities Ltd

Suresh Amarasekera
Head of Business Solutions, Lending - LOLC Technologies Ltd

Chinthaka Jayasinghe
Head of Business Solutions, Banking - LOLC Technologies Ltd

Thisan Samarasinghe
Head of Software Engineering - LOLC Technologies Ltd

Operational Management Team

Lasantha Peiris
Head of IT, Operations - LOLC Technologies Ltd

Parakum Pathirana
Head of IT, Security & Compliance - LOLC Technologies Ltd

Ramesh Kariyawasam
Head of Operations - LOLC Motors Ltd

Susantha Bandara
Resident Manager, The Paradise Resort and Spa

Danesh Abeyrathna
Chief Operating Officer, Gal Oya Plantations Ltd.

Report of the Board of Directors

The Board of Directors takes pleasure in presenting this Annual Report for the financial year to 31st March 2016. Every effort has been made to provide all stakeholders with a comprehensive picture of the performance of the Company and its subsidiaries for the year under review.

Principal activities

As the holding company of a diversified conglomerate, the Company's principal activities are now monitoring and managing the Groups' investments and providing centralised services to its subsidiaries and associates.

The Board of Directors

The Board of Directors for the year under review comprise the following:

Rajah Mahinda Nanayakkara
Non Executive Chairman

Ishara Chinthaka Nanayakkara
Also Alternate to R M Nanayakkara
Executive Deputy Chairman

Waduthantri Dharshan Kapila Jayawardena
Managing Director / Group CEO

Mrs. Kalsha Upeka Amarasinghe
Executive Director

Deshamanya Minuwanpitiyage Dharmasiri Dayananda Pieris
Independent Director

Dr. Ravindra Ajith Fernando
Independent Director

Harukazu Yamaguchi
Non Executive Director

Hiroshi Nishio
Non Executive Director

Takehisa Kaneda
Alternate to H Yamaguchi
Non Executive Alternate Director

Keiji Okuno
Alternate to H Nishio
Non Executive Alternate Director

The Directors profiles can be found on pages 94 to 97. Lists of other companies on which they serve as Director are given at the end of this report.

Board sub committees

In accordance with governance requirements , the Board has appointed the following sub committees:

The Audit Committee
The Talent Development and Remuneration Committee
The Integrated Risk Management Committee
The Corporate Governance Committee
The Related Party Transactions Review Committee

The mandate of each of these sub committees is provided by their charter or regulatory guideline.

Committee Meeting minutes are tabled at Board meetings. Thus, while the entire Board is aware of Committee deliberations and decisions, they have the assurance of knowing that matters receive the focused attention of sub committees. These sub committees are empowered to call for additional information, and also to invite key management personnel to provide further details, or to facilitate a dialogue. This enables the Board to ensure that proposed initiatives, changes to procedures or enhancing of controls are practical and also accepted by the Management.

The reports of the respective Committees are included in this Report. The composition of these committees are as prescribed by the relevant regulation (where applicable) or as deemed most appropriate for effective functioning of the Committee.

IT Steering Committee

The IT Steering Committee ("ITSC") is not a statutory Committee, but was established at a time when the Board and the IT division saw a need for a forum to discuss the growing Information Technology needs of the Group. Subsequent developments has led to the setting up of two separate IT companies - Lanka ORIX Information Technology Services Ltd ("LOITS") and LOLC Technology Ltd ("LOTEC").

ITSC meetings are held quarterly and continue to serve as a forum to discuss IT needs. However, the scope has now increased dramatically as the Group has expanded, and the competence and expertise being provided by LOITS has grown. Members of the ITSC include the MD, the Executive Director, the CIO, the Head of IT Security and Compliance, the CFO and the CRO. Meetings are also open to CEO's of the key subsidiaries receiving LOITS services. Apart from operational issues, e-commerce, social media and Information Security is also discussed.

Report of the Board of Directors

Directors meetings

Board meetings are held bi-monthly. As the Group expands, not just in diversity but also globally, the macro environment takes on greater significance and the reporting areas grow broader and also deeper. The presentation made at each meeting contains not only details on group companies but also on the macro environment. The reports and information called for cover both performance and compliance, and discussions would cover the range of sectors the Group is now represented in. In instances when rapid decision making is required, the Board consults through circular resolutions, copies of which are also tabled at Board meetings so that follow up action is captured on these too.

Directors interests in contracts

The Directors have made the declarations required by the Companies Act No. 7 of 2007. These have been noted by the Board, recorded in the Minutes and entered into the Interest Register which is maintained by the Company.

Directors remuneration

The remuneration is disclosed on page 276. The Report of the Talent Development and Remuneration Committee is on page 121.

Directors shareholdings

Directors shareholdings are as given below

	2016		2015	
	No. of Shares	%	No. of Shares	%
Mr. R M Nanayakkara	172,492,292	36.30%	172,492,292	36.30%
Mr. I C Nanayakkara *(Director & Alternate to Mr. R M Nanayakkara)*	59,895,500	12.60%	59,895,500	12.60%
Mr. W D K Jayawardena	-	-	-	-
Mrs. K U Amarasinghe	23,760,000	5.00%	23,760,000	5.00%
Deshamanya M D D Pieris	-	-	-	-
Dr. R A Fernando	12,600	0.003%	12,600	0.003%
Mr. H Yamaguchi	-	-	-	-
Mr. H Nishio	-	-	-	-
Mr. T Kaneda(Alternate to Mr. H Yamaguchi)	-	-	-	-
Mr. K Okuno (Alternate to Mr. H Nishio)	-	-	-	-

Re-election of directors

In accordance with Article 88 (i) of the Company's Articles of Association, Dr. R A Fernando and H Nishio retire by rotation and being eligible seek re-election as directors. The Board recommends their re-election.

Deshamanya Dharmasiri Pieris and Mr Rajah Nanayakkara are over the age of 70 years and will be retiring, as required. The Company has received letters from shareholders, communicating their intention to move resolutions at the Annual General Meeting for the re-appointment of these directors, as provided for in the Companies Act No. 7 of 2007. The Board recommends their re-election.

Compliance with laws and regulations

The Company is compliant with the Listing Rules of the Colombo Stock Exchange, including the rules relating to Corporate Governance.

Internal Controls

The Enterprise Risk Management Division regularly reviews procedures, practices and policies and submits reports to the Audit Committee or the Integrated Risk Management Committee as appropriate. Any deficiencies or weaknesses detected are discussed with the relevant operational staff to ensure that the gravity of the position is understood by all and to expedite remedial action. Decisions made are followed up at subsequent Committee or Board meetings. The Risk Management Report is on pages 126 to 128.

Corporate Governance

The Board makes every effort to ensure that performance is supported and enhanced by good governance. The appointing of the Corporate Governance Committee - a Board Sub committee - was one such initiative. The Report of the Corporate Governance Committee can be found on page 123 and the Corporate Governance Report is on pages 117 to 120.

Review of business

The Company's performance and that of its subsidiaries are reviewed in detail in the other sections of this Annual Report.

Going concern

During the year, the Directors reviewed the interim financials and the year end financials. They have also regularly reviewed operations, and the environment within which the Company is operating, including the macro environment, potential risks and resource allocation.

Based on information received, the Directors are of the opinion that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the basis that the Company is a going concern.

Financial Statements

The Financial statements together with the Notes thereon, found on pages 134 to 320, are in compliance with Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007.

Auditors

The Auditors, M/s Ernst and Young retire, and offer themselves for re-appointment. The Board recommends their re-appointment for the year 2016/2017 at a fee to be decided upon by the Board.

The fees paid to the auditors are disclosed in the notes to the Accounts on page 183.

As far as the Directors are aware, the Auditors do not have any other relationship with the Company or any of its subsidiaries nor do they have any interest in contracts with the Company or any of its subsidiaries.

In accordance with good governance initiatives, audit partner rotation has been practiced .

The Report of the Auditors is given on page 133.

Responsibility statements

The Chief Executive Officer's and Chief Financial Officer's responsibility statement appears on page 131. The Directors' statement on responsibility for financial reporting appears on page 132.

Significant accounting policies

The significant accounting polices adopted when preparing these financial statements and any changes thereof if applicable are given on pages 149 to 177.

Statutory Payments

For the year under review, all known statutory payments have been made and all retirement gratuities have been provided for . Further , all management fees and payments to related parties for the year under review have been reflected in the accounts. Details are given in Note No 43 and 50 of pages 267 and 276.

Post Balance Sheet Events

There have been no post balance sheet events that need reporting.

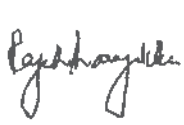
Shareholding structure

The Company has issued 475,200,000 shares. The shareholding structure is given on pages 332 to 333, together with the 20 largest shareholders. During the year, the share price ranged from Rs. 64.10 to Rs. 116.20. As at the end of trading on 31st March, 2016, the share price was Rs. 72.00.

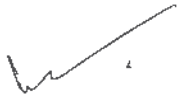
Notice of Meeting

The notice of Meeting is found on page 340. If you are unable to be present, please complete and return the Form of Proxy (page 343).

On behalf of the board of Directors



Mr Rajah Nanayakkara
Non Executive Chairman



Mr Kapila Jayawardene
Managing Director/Group CEO

Report of the Board of Directors

Other Directorships

R M Nanayakkara
Chairman
Lanka ORIX Leasing Co. PLC
Ishara Traders (Pvt) Ltd
Ishara Property Developers (Pvt) Ltd

Director
Brown & Co. PLC
Browns Investments PLC
Browns Holdings Limited
Diriya Investments (Pvt) Ltd

I C Nanayakkara
Chairman
Brown & Company PLC
Commercial Leasing & Finance PLC
LOLC Micro Credit Ltd
Browns Investments PLC
BRAC Lanka Finance PLC
Browns Capital PLC
Browns Hydro Power PLC
LOLC Life Assurance Limited

Deputy Chairman
Lanka ORIX Leasing Co. PLC
LOLC Finance PLC
Seylan Bank PLC

Director
AgStar Fertilizers PLC
PRASAC Micro Finance Institution
Sierra Constructions (Pvt) Ltd
LOLC Myanmar Microfinance Co. Ltd
Associated Battery Manufacturers (Cey) Ltd
F L M C Plantations (Pvt) Ltd
Pussellawa Plantations Ltd
LOLC International Private Limited
Sagasolar Power (Private) Limited

W D K Jayawardena
Chairman
Eden Hotel Lanka PLC
LOLC Finance PLC
LOLC General Insurance Ltd
LOLC Securities Ltd
Palm Garden Hotels PLC

Managing Director/Group CEO
Lanka ORIX Leasing Co. PLC

Director
Commercial Leasing & Finance PLC
LOLC Micro Credit Ltd
Brown & Co. PLC
Browns Investments PLC
Riverina Resorts (Pvt) Ltd
BRAC Lanka Finance PLC
Seylan Bank PLC
Pusselawa Plantation Limited
Browns Capital PLC
Browns Hydro Power PLC
FLMC Plantations (Pvt) Ltd
LOLC International Private Limited

Mrs. K U Amarasinghe
Director
Lanka ORIX Leasing Co. PLC
LOLC Finance PLC
LOLC Micro Credit Ltd
LOLC Life Assurance Limited
Commercial Leasing & Finance PLC
Palm Garden Hotels PLC
Eden Hotel Lanka PLC
Brown & Co. PLC
Browns Investments PLC
Riverina Resorts (Pvt) Ltd
Browns Hydro Power PLC
Browns Capital PLC
Pussellawa Plantations Ltd
Melfort Green Teas (Private) Ltd
FLMC Plantations (Pvt) Ltd

Deshamanya M D D Pieris
Director
Lanka ORIX Leasing Co.PLC
Mercantile Merchant Bank Ltd
Financial Systems International (Pvt) Ltd
Mercantile Financial Brokers Ltd
Mercsair Ltd
MMBL Logistics (Pvt) Ltd
MMBL Money Transfer (Pvt) Ltd
Mountain Hawk Express (Pvt) Ltd
Mountain Hawk (Pvt) Ltd
Pathfinder (Pvt) Ltd
Pathfinder Holdings (Pvt) Ltd
Sanasa Campus Co Ltd

Dr. R A Fernando
Chairman/CEO
Global Strategies Corporate
Sustainability (Pvt) Ltd

Board Member
Ceylon Asset Management Ltd

Director
Lanka ORIX Leasing Co. PLC

H Yamaguchi
Chairman
ORIX Glorious Stars (SPV-AMC), Inc.
Federal Land ORIX Corporation
ORIX Risingsun Properties II, Inc.
ORIX Risingsun Properties, Incorporated
OMLF Servicer Corporation

Co-Vice Chairman
Bonifacio Landmark Realty And Dev't. Corp.

Deputy Chairman
(Supervisory Board Member)
ORIX Polska S.A.

Vice President Commissioner
PT. ORIX Indonesia Finance

Director
Nassim Park Developments Pte. Ltd
IL&FS Singapore Asset Management Company Pte. Ltd
Lanka ORIX Leasing Company PLC
ORIX Australia Corporation Limited
ORIX METRO Leasing and Finance Corporation
ORIX Hotels International Private Limited
ORIX Leasing Pakistan Limited
Thai ORIX Leasing Co., Ltd
EnTie Commercial Bank Co., Ltd
ORIX-ECB (Cayman) Inc.
Third Berry Limited
ETHOZ Capital Ltd
Thai Incinerate Service Co., Ltd
ORIX Auto Infrastructure Services Limited
ORIX Leasing & Financial Services India Limited
ORIX Finance Services Hong Kong Limited
ORIX Leasing Singapore Limited
ETHOZ Group Ltd
Indochina Capital Corporation

Alternate Director
Infrastructure Leasing & Financial Services Limited
ORIX Leasing Malaysia Berhad

Auditor
ORIX Capital Korea Corporation
ORE Korea Co., Ltd.

H Nishio
Chairman
(Supervisory Board Member)
ORIX Polska S.A.

Chairman
ORIX Auto Infrastructure Services Limited
ORIX Leasing & Financial Services India Limited

Report of the Board of Directors

Board And Board Sub Committees

		Board	Audit Committee	Talent Development and Remuneration Committee	Corporate Governance Committee	Integrated Risk Management Committee	Related Party Transactions Review Committee
Director	Classification						
R M Nanayakkara	Non –Executive	✓ *					
I C Nanayakkara	Executive	✓					
W D K Jayawardena	Executive	✓			✓	✓	✓
Mrs. K U Amarasinghe	Executive	✓			✓		✓
M D D Pieris	Independent	✓	✓ **	✓	✓ **	✓**	✓ **
R A Fernando	Independent	✓	✓	✓ **	✓		
H Yamaguchi	Non –Executive	✓					
H Nishio	Non –Executive	✓					
Key Management Personnel							
Mrs. S Wickremasinghe	Chief Risk Officer					✓	
Mrs. S Kotakadeniya	Chief Financial Officer					✓	
F K C P N Dias	Chief Information Officer					✓	
K A K P Gunawardena	Chief Legal Officer					✓	
R Perera	GM – Treasury					✓	
J Kelegama	Chief Credit Officer					✓	
A Dharmaprema	CEO - Recoveries					✓	
P Uluwaduge	Head of HR					✓	
P Pathirana	Head of IT Security and Compliance					✓	

* - Chairman of the Board

** - Chairman of the Committee

Corporate Governance Report

The Board of Directors endorse the principles of good governance and endeavour to embed appropriate practices in the processes and procedures of the Company. The Board acknowledges the value all stakeholders place on good governance and on occasion has initiated early compliance with regulations.

Given below is the level of compliance against the respective governance requirements of the Listing Rules of the Colombo Stock Exchange;

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10	**Corporate Governance**	
7.10	Statement confirming that as at the date of the annual report the Company is in compliance with these rules.	The Company is in compliance with the listing rules of the Colombo Stock Exchange, as explained below.
7.10.1	Non-executive Directors	
	a. The Board of Directors of a listed entity shall include at least: - two non executive directors; or - such number of non executive directors equivalent to one third of the total number of directors whichever is higher	Five of the eight Directors are non-executive Directors. The names of the non-executive directors are set out in the Report of the Board Directors on page 111.
7.10.2	Independent Directors	
	a. Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such non-executive directors shall be 'independent'. In all other instances two or 1/3rd of non-executive directors appointed to the Board, whichever is higher shall be 'independent'.	One third of the Non Executive Directors are Independent Directors.
	b. The Board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	All Non -Executive Directors have submitted their declarations for the year 2015/16.
7.10.3	Directors disclosures	
	a. The Board shall make a determination annually as to the independence or non-independence of each director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	The Company's independent directors are Deshamanya M D D Pieris and Dr. R A Fernando. Apart from the declarations submitted , the Board has taken into consideration the contribution made to the discussion and decision making, and has agreed that these directors are independent.
	b. In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis of its determination in the annual report	Deshamanya M D D Pieris and Dr. R A Fernando have served as Directors for over 9 years. However, they meet all the other criteria of independent directors. The Board has agreed that by virtue of their professionalism, skill and expertise, these two directors are independent.

Corporate Governance Report

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.3 (Contd.)	c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	The profiles of the Directors can be found on pages 94 to 97.
	d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	The Company has complied with the requirement each time a new director was appointed, and will continue to ensure compliance.
7.10.5	Remuneration Committee a. Composition The remuneration committee shall comprise; - a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or - non-executive directors a majority of whom shall be independent, whichever shall be higher. - One non-executive shall be appointed as Chairman of the committee by the board of directors.	The Remuneration Committee, which has been re-designated the Talent Development and Remuneration Committee comprises two Non - Executive Independent Directors, one of whom is the Committee Chairman.
	a. Functions The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The Committee periodically reviews the Directors' remuneration and makes recommendations to the Board . The Committee report is on page 121.
	b. Disclosure in the Annual Report The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	The Talent Development and Remuneration Committee comprises the Independent Directors Deshamanaya M D D Pieris and Dr. R A Fernando. The Committee is guided by the Board approved Remuneration Policy , but is always mindful of the need to attract and retain quality human resources. Therefore, if necessary, the Policy will be amended , with Board approval . The aggregate remuneration paid to executive and non-executive directors is disclosed on page 276.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.6	Audit Committee a. Composition - The audit committee shall comprise; - a minimum of two independent non-executive directors (in instances where the Entity has only two directors on its board); or - non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors. The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	The Committee comprises two Non-Executive directors. Both these directors are Independent, thus the Committee is chaired by a Non-Executive Independent Director .
	b. Functions Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The Committee is guided by a board approved Audit Committee Charter which includes the functions listed here. Please refer the Committee report on page 124.

Corporate Governance Report

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.6 (Contd.)	c, Disclosure in the Annual Report The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	The Committee comprises the Independent Directors Deshamanya M D D Pieris and Dr. R A Fernando. Deshamanya M D D Pieris serves as the Committee Chairman. The Committee at its meeting determined that the Auditors were independent . This determination was based on the reputation and standing of the External Audit firm and the competence and calibre of the personnel including the Partner in charge . It was also based on the criteria mentioned in Section 163 (3) of the Companies Act No. 7 of 2007. The Audit Committee report on page 124 gives further details.

Report of the Talent Development and Remuneration Committee

The Talent Development and Remuneration Committee, having re-defined its scope and purpose, has now begun to focus on what it has identified as the critical human capital issues for a diversified conglomerate with a growing global presence.

In order to ensure that the discussions and decisions are relevant, timely and keep pace with the Group's growth, the Committee has invited the Group Head of HR to be present at meetings. Therefore, the discussions can be broad based and sectorial, and can then be narrowed down, if necessary to specific officers. Committee meetings are also being held more frequently.

Talent attraction, development and retention remain key concerns, and the Committee engages with the Head of HR to ensure that all possible avenues are considered and acted upon. This includes policies on employing differently abled people, advanced management training, improvements to the existing performance appraisal system and also creating a management trainee program that can filter out the best quality candidates.

The Committee, which comprises two independent directors, M D D Pieris and R A Fernando (Committee Chairman) met twice during the year.

R A Fernando

Chairman - Talent Development and Remuneration Committee

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee ("IRMC") was appointed by the Board in accordance with the Central Bank of Sri Lanka's Direction on Corporate Governance. As the name indicates, the Committee reviews all significant risks faced by a corporate entity, and takes cognizance of the fact that risk has to be viewed holistically in order to be effectively managed. This takes on special significance for the Company as the LOLC Group increases not just in size but also in diversity. For this reason, even though the Company has ceased leasing operations, and is no longer bound by the abovementioned Direction, the Board has agreed that this Committee should be retained.

The Committee functions under its original mandate, and this dictates the composition of the committee and also the range of reports which are submitted. Potential risks, broken into traditional classifications such as market risk, financial risk, credit risk and other operational risks are reported on. In addition, as Group companies are engaged in a multiplicity of operations, risks applicable to sectors are also reviewed and reported on. The analyses are wide ranging, and take into consideration both micro and macro environments, and both local and global trends and implications. In this way, the Committee can be alerted to risks posed not only to group companies but also to investments made by the holding company, including investments overseas. In this way, the Committee seeks to both widen the risk profile and also enlarge the scope of the reviews.

Another benefit of this Committee is that it facilitates exchange of information, not only within the Group but also across sectors. Thus, if the Committee becomes aware of a potential risk in a sector, it can make recommendations to the board of the company heading that sector.

The Committee comprises the following:

M D D Pieris
Independent Director and Committee Chairman

W D K Jayewardene
Managing Director and Group CEO

the Chief Risk Officer

the Chief Financial Officer

the Chief Credit Officer

the GM Treasury

the Chief Information Officer

the Chief Legal Officer

the CEO Recoveries

the Head of Human Resources

the Head of IT Security and Compliance

The Executive Director, Mrs Kalsha Amarasinghe attends by invitation.

The Committee met 4 times during the year.

M D D Pieris
Chairman - Integrated Risk Management Committee

Report of the Corporate Governance Committee

This Committee was appointed by the Board as part of a stated intention to strengthen corporate governance, and was established several years ago. The Committee has kept pace with changing governance requirements by periodically reviewing relevant statutory and regulatory requirements, and seeing their applicability to the Company and the LOLC Group. It has also periodically reviewed its own role, to ensure that there is no duplication with other committees, and that it is able to be focused and effective.

For this reason, meeting frequencies vary, and while an annual meeting is scheduled, additional meetings can be convened to discuss an identified issue. If the issue is of a particularly significant nature, it will be referred to the whole Board .

During one of its periodic reviews, the Committee felt that the composition should be amended to facilitate more effective deliberations. Accordingly, the Executive Director Mrs K U Amarasinghe and the Managing Director W D K Jayawardena were appointed to the Committee, joining the two Independent Directors M D D Pieris (Committee Chairman) and R A Fernando.

The Committee met once during the year.

M D D Pieris
Chairman - Corporate Governance Committee

Report of the Audit Committee

The Audit Committee comprises the two independent directors M D D Pieris (Committee Chairman) and R A Fernando. The MD, Executive Director, CFO and CRO are invited to be present at Committee meetings.

The Committee is governed by its Board approved Terms of Reference, and has put in place a framework of meetings and agenda items which ensure that important issues as reported are reviewed regularly. Issues discussed are reviewed at the next succeeding meeting, to clarify progress. The corrective / proactive measures agreed to are also reviewed, to ascertain their practicality and effectiveness.

The Committee assists the Board with overseeing the financial reporting system of the Company and the Group. For this, the Committee reviews the internal processes and procedures, verifies the adequacy of controls and seeks confirmation that the compilation and reporting of financial information is comprehensive, accurate and timely.

The Committee reviews the financial statements, the accounting policies and compliance with applicable accounting standards and other regulatory requirements. At such meetings, the External Auditors are also invited, to discuss and encourage a dialogue on further improving processes and / or controls.

This facilitates the Committee recommending the quarterly and year end financials to the Board for approval.

The Committee also reviews reports submitted by the Enterprise Risk Management Division. These reports cover operational issues, processes and controls, including IT issues. At these meetings, the Chief HR Officer, the Chief Information Officer and the Head of IT Security and Compliance are also invited to be present. The Officer overseeing the risk or deficiency identified in the report under discussion is also invited. This ensures that the discussion is comprehensive and well informed, and the corrective measures selected are practical and have the commitment of the management.

Minutes of the Meetings of the Audit Committee are also tabled at the meetings of the Board. This facilitates a flow of information to the Board, and enables further discussion, if thought necessary on any issue or proposed solution.

The Committee met 6 times during the financial year 2015/16.

The Committee recommends to the Board the fees to be paid to the External Auditors.

Having given consideration to the independence of the External Auditors, the Audit Committee is satisfied that the Auditors, M/s Ernst and Young are independent. This determination is based on the following:

a. period of service - Ernst and Young were appointed Auditors, with shareholder approval, in June, 2008;

b. fees and services - neither the fees paid nor the non-audit services rendered are of sufficient quantum to impair their independence.

In accordance with best practices, Audit Partner rotation was exercised and a new audit partner oversaw the audit for the year under review.

Accordingly, the Audit Committee has recommended to the Board of Directors that Messrs Ernst and Young be reappointed as Auditors for the financial year ending 31st March, 2013. The reappointment of the Audit Firm and the authorising of the Board to negotiate its fee will be subject to the approval of the shareholders at the Annual General Meeting to be held on 6th September, 2016.

M D D Peiris
Chairman
Audit Committee

Report of the Related Party Transaction Review Committee

The Related Party Transaction Review Committee was introduced by the Colombo Stock Exchange ("CSE") and listed companies were invited to establish these committee in voluntary compliance in the transition period to January 2016, when such committees would be mandatory.

The Board appointed the Related Party Transactions Review Committee in September 2015. The Committee comprises M D D Pieris (who is the Committee Chairman), W D K Jayawardena and Mrs. K U Amarasinghe.

The Committee at its meetings has reviewed its mandate, in terms of the requirements of the Listing Rules of the CSE, and has identified the processes needed to facilitate the Committee carrying out its functions.

To further ensure meaningful discussion, key officers of the Company such as the Chief Financial Officer and the Chief Risk Officer are invited to attend meetings.The Committee also appointed an officer to monitor and report to the Committee on Compliance.

The Committee has satisfied itself that there is a viable process to identify and report on related party transactions. It has also reviewed such transactions and been satisfied that they are being done at market rates and conditions and/or with all relevant approvals.

Having been appointed in September 2015, the Committee met twice during the year under review.

M D D Pieris
Chairman
Related Party Transactions Review Committee

Enterprise Risk Management

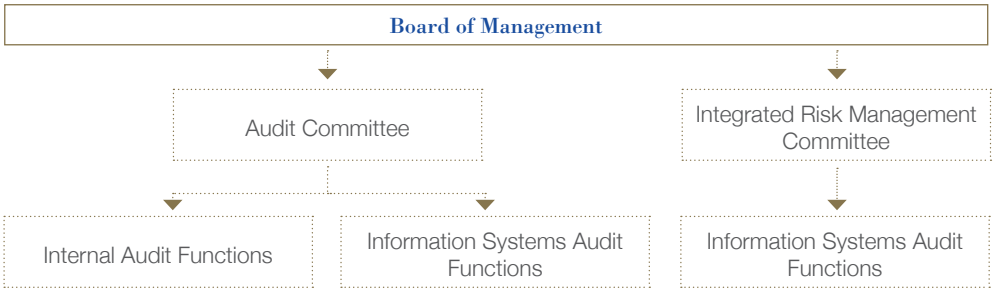
The integrated Risk Management

LOLC is a diversified conglomerate and it is of paramount importance that integrated risk governance structures are formulated to have a Group level view. In order to achieve this objective, the following sectors are identified as material to the overall Group perspective. Hence the risk governance structures are formulated considering the same.

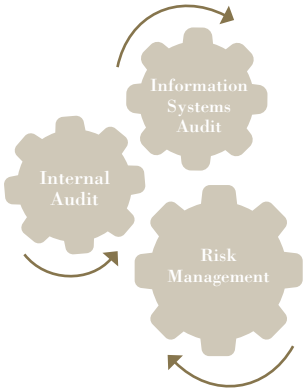
Risk Management at LOLC is a Group level centralised function. The risk governance structures adopted for each entity is structured in such a way so as to retain uniformity among entities, thus enabling us to replicate all risk management processes across any organisation in a seamless manner. This strategy allows us to transfer our skills knowledge and capabilities within least possible lead time thus optimising our resource utilisation.

Risk Management is an organisation-wide effort and the board of management drives the risk governance effort via the Integrated Risk Management Committee and the Audit Committee. The functions of the Enterprise Risk Management Department is centralised at the holding company level with risk officers appointed for each of the main sectors and within the sectors for each organisation which comes under the purview of a regulator or deemed material in operations at group level.

Risk Governance structures implemented at LOLC consists of a combination of Risk Management, Internal Audit and IS Audit functions which forms the Enterprise Risk Management Department. The Audit function and the Risk Management function works in cohesion to derive the best possible synergies which are on offer. The Enterprise Risk Management Department retains total independence via the reporting line established to the Deputy Chairman of the Board thus allowing them to express their opinion without any bias or influence which is vital for good governance. This allows informed decision making and critical evaluation of strategies to identify potential risks and rectification of the same on time.



The Risk Management function identify possible risks which could impede the achievement of our organisational level and operational level objectives and advices the management of possible risk mitigation strategies. The effectiveness of the internal controls implemented by the management to ensure that risks are managed within tolerable levels are reviewed by the internal audit team with the objective of providing the management with a reasonable assurance that the internal control framework functions consistently as intended. Both functions draw heavily from the expertise of each other and exchange risk and internal control related information in an effort to optimise risk control strategies.



Enterprise Risk Management at LOLC is an organisational level process where responsibility cascades down from the Board of management to the operational level employees. As per our vision in risk management "Building an organisational culture where Protection, Assurance, Reliability, Accountability, Transparency and Confidentiality are treasured and lasting values", we always believe in empowering employees to evaluate every action, decision taken within their scope of duty with a conscious assessment of risk. Enterprise Risk Management Department believes that more the employees are aware and knowledgeable on risk, the higher their ability to make the correct response, so with a view of enriching and enhancing the employees' perspective on risk, The Enterprise Risk Management Department conduct structured training in co-ordination with the human resource function targeting staff engaged in critical operational activities in the organisation.

The complexities and the ground realities has necessitated transforming from the traditional approaches of risk management and auditing to more dynamic and innovative methodologies. Therefore, the audit strategy of centralised annual audits were transformed to a hybrid system between the traditional annual audits and continuous field base audits. The Audit strategy takes a more aggressive approach by obtaining an all clear sign off from the auditee on rectifications and implemented controls and random follow up audits.

Building the Risk Culture and blending into the Organisation Processes

The availability of the accurate Information at the correct time enhances the effectiveness of the risk response decisions. This is vital for both the audit and risk management functions. We collate information both from the business applications systems and from the traditional information gathering channels which consists mainly of routine management reporting and compulsory reporting lines established from each business and support services silos to the Enterprise Risk Management Department.

We constantly strive to enhance our technical capabilities in order to obtain accurate, reliable information in a more efficient manner. This has become a key success factor for us as with the expansion of operations, it has necessitated that risk and audit resources are deployed optimally. Regional based auditors and auditors stationed at main operational centers of the subsidiaries have improved the reach of the audit team tremendously.

The data analytic tools deployed for auditing and phased out deployment of the risk information management system gives us more indepth knowledge on the information reviewed and allows us to identify and detect anomalies in a much faster and accurate manner. This is supplemented by the continuous improvement methodologies adopted by the Enterprise Risk Management division which ensures that quality management of the processes are kept at desired levels. This internal quality management system and mechanism is now well established and it ensures that all reporting done by the enterprise risk management team undergo a stringent quality assurance process that ensure uniformity and consistency of its reporting.

The ERM (Enterprise Risk Management) team plays a consultative role in major process design initiatives and product formulations thus ensuring that the internal control aspects are given due recognition and consideration. The same approach is adopted for ICT developments where the IS audit team does knowledge sharing on control aspects.

The whistleblower hotline is available for employees to report any irregularity while the customer feedback line is made available for customers to bring to our notice any matter which needs the attention of the management. Both these communication lines are operated by the ERM division. Any information provided via these methods are treated with utmost confidentiality and are followed up until resolution.

The risk management function draws information from both internal and external sources. They appraise the management of the potential risks arising and recommend action for the mitigation, avoidance or capitalising on the opportunities that arise. The risks identified and addressed are constantly monitored and any adverse movement of such risk indicators are highlighted for appropriate action of the Board via the Integrated Risk Management Committee.

Continuous update of knowledge and skills is key to the success and sustainability of any initiative, and we are well aware of the need to fine tune the knowledge, skills and capabilities of our risk management and audit teams. Both internal and external training facilities are used for this purpose and the value it adds to the process is immense.

A shift in the audits towards continuous reviews are expected within the next financial year and enhanced interactions with the customers too are planned as this enables us to obtain firsthand information on the effectiveness of the internal control structure of our delivery channels. The automation of risk monitoring allows our risk management team to focus more on analysis, forecasting and prediction of the behaviour of risk indicators and risk drivers. These initiatives are expected to enhance and improve technical aspects in risk reporting and auditing which will elevate our capabilities and the potential to the next level as the enterprise risk management process matures.

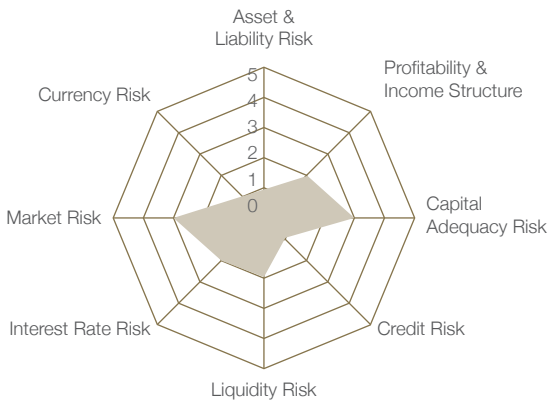
Enterprise Risk Management

Risk Profile

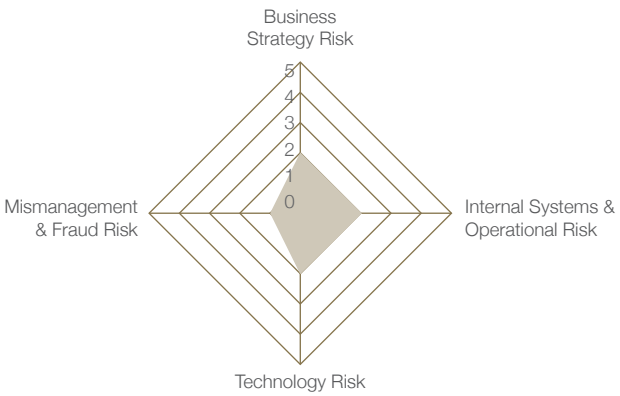
The following is based on the perceived risk and is a high level categorisation of risk used only for the illustration purposes of this Report.

Risk Levels	Risk Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

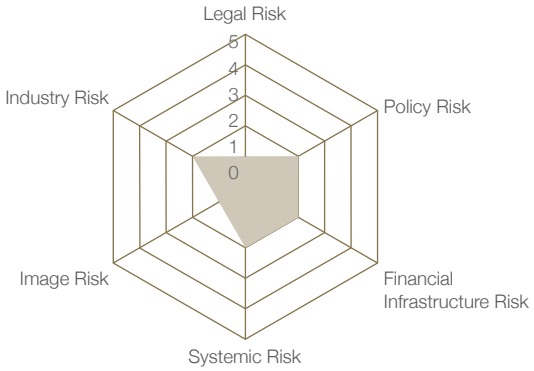
Financial Risks



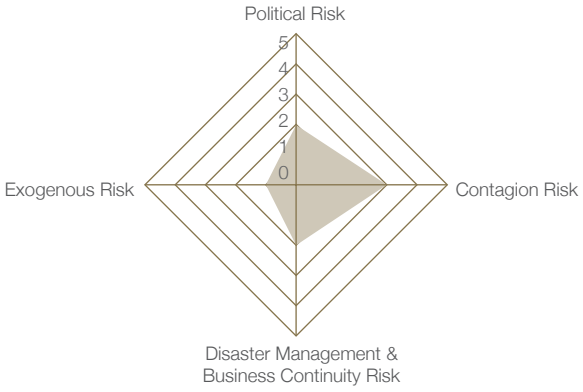
Operational Risks



Business Risks



Event Risks



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Financial Calendar

FINANCIAL CALENDAR 2015/16

1st Quarter Results 2015/2016 released on	13th August 2015
2nd Quarter Results 2015/2016 released on	10th November 2015
3rd Quarter Results 2015/2016 released on	15th February 2016
4th Quarter Results 2015/2016 released on	27th May 2016
Annual Report for 2015/2016 released in	August 2016
36th Annual General Meeting in	August 2016

PROPOSED FINANCIAL CALENDAR 2016/17

1st Quarter Results 2016/2017 will be released on	15th August 2016
2nd Quarter Results 2016/2017 will be released on	15th November 2016
3rd Quarter Results 2016/2017 will be released on	15th February 2017
4th Quarter Results 2016/2017 will be released on	31st May 2017
Annual Report for 2016/2017 will be released in	August 2017
37th Annual General Meeting in	August 2017

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

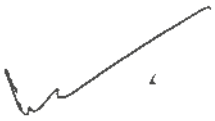
The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and any other applicable statutes to the extent applicable to the Company.

There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied.

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by Ernst & Young, Chartered Accountants, the Company's External Auditors. The Audit Committee of your Company meets periodically with the Internal Auditors and the External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.



Kapila Jayawardena
Group Managing Director/CEO

Sunjeevani Kotakadeniya
Chief Financial Officer

LOLC Group
20 June 2016

Directors' Responsibility for Financial Reporting

The Directors confirm that the Company's Financial Statements for the year ended 31 March 2016 are prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Regulations and Directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, the Finance Leasing Act No. 56 of 2000 and the Companies Act No. 07 of 2007.

They believe that the Financial Statements present a true and fair view of the state of the affairs of the Company and of the Group as at the end of the financial year.

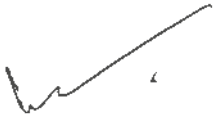
The Directors also accept responsibility for the integrity and accuracy of the Financial Statements presented and confirm that appropriate accounting policies have been selected and applied consistently and reasonable and prudent judgment has been exercised so as to accurately report transactions.

The Directors have taken reasonable steps to safeguard the assets of the Company, to prevent, deter and detect fraud, and to ensure the integrity, accuracy and safeguarding of operational and financial records.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid for, or where relevant, provided for.

The Directors believe that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the basis that the Company is a going concern.

The External Auditors, Ernst & Young, were provided with the opportunity to make appropriate inspections of financial records, minutes and other documents to enable them to form an opinion of the Financial Statements. The Independent Auditor's Report is set out on page 133.



Kapila Jayawardena
Group Managing Director/
Chief Executive Officer

20 June 2016

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

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TO THE SHAREHOLDERS OF LANKA ORIX LEASING COMPANY PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka ORIX Leasing Company PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors (the "Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In our opinion:

- we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
- the financial statements of the Company give a true and fair view of its financial position as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
- the financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

20 June 2016
Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA
Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

A member firm of Ernst & Young Global Limited

Statement of Financial Position

As at 31 March	Note	Group			Company	
		2016 Rs.'000	2015 Rs.'000 Restated	01 Apr 2014 Rs.'000 Restated	2016 Rs.'000	2015 Rs.'000
Assets						
Cash in hand and favourable bank balances	17.1	13,725,794	7,934,390	5,173,497	63,407	229,710
Trading assets - fair value through profit or loss	18	2,397,547	1,106,441	885,802	420,126	514,556
Investment securities	19	60,951,440	18,302,263	16,172,946	684,543	681,970
Finance lease receivables, hire purchases and operating leases	20	51,666,748	41,335,375	36,259,242	8,920	1,684
Advances and other loans	21	161,116,017	98,525,051	54,285,641	1,774,112	1,310,259
Insurance premium receivables	22	801,165	602,099	449,589	-	-
Inventories	23	3,645,281	1,833,672	1,868,627	462,760	10,250
Current tax assets	24	1,011,854	1,183,563	1,103,421	178,334	213,429
Trade and other current assets	25	10,480,953	9,103,067	7,047,160	16,524,924	5,526,203
Prepaid lease rentals on leasehold properties	26	742,535	342,816	51,088	-	-
Investment properties	27	9,073,216	8,807,369	6,655,490	353,000	344,000
Biological assets;						
Consumable biological assets	28	6,150,990	6,383,655	-	-	-
Bearer biological assets	29	4,811,353	4,657,505	-	-	-
Investments in group of companies;						
Subsidiary companies	30	-	-	-	42,615,931	42,126,050
Jointly controlled entities	31	-	-	1,204,151	-	-
Associates	32	16,493,637	15,067,850	13,472,316	7,816,377	7,650,205
Deferred tax assets	33.1	490,243	516,785	313,170	80	61,120
Intangible assets	34	2,482,046	2,251,313	722,549	210,021	140,021
Property, plant and equipment	35	33,553,739	26,964,198	21,510,354	4,381,379	3,799,803
Total assets		379,594,558	244,917,412	167,175,043	75,493,914	62,609,260

As at 31 March	Note	Group			Company	
		2016 Rs.'000	2015 Rs.'000 Restated	01 Apr 2014 Rs.'000 Restated	2016 Rs.'000	2015 Rs.'000
Liabilities and equity						
Liabilities						
Bank overdrafts	17.2	9,302,310	6,118,548	2,819,302	3,354,589	354,777
Trading liabilities	36	17,859	501,490	405,434	-	1,203
Deposits liabilities	37	74,165,732	50,587,239	49,614,880	-	-
Interest bearing borrowings	38	205,774,163	113,113,592	64,048,889	35,014,816	24,661,179
Insurance provision - life	39.1	1,519,563	774,865	271,792	-	-
Insurance provision - general	39.2	2,136,529	1,595,644	1,248,685	-	-
Current tax payables	40	2,084,537	1,635,727	1,058,724	322,774	193,901
Trade and other payables	41	11,572,669	8,074,796	5,464,397	1,115,435	2,327,317
Deferred tax liabilities	33.3	3,930,668	3,301,907	2,220,836	-	-
Deferred income	42	651,021	607,655	11,390	-	-
Retirement benefit obligations	43	2,063,282	2,518,644	355,199	184,863	174,515
Total liabilities		313,218,333	188,830,107	127,519,528	39,992,477	27,712,892
Equity						
Stated capital	44	475,200	475,200	475,200	475,200	475,200
Reserves	45	5,436,196	5,304,386	5,357,905	1,653,318	1,772,798
Retained earnings	46	31,786,984	22,454,099	16,804,447	33,372,919	32,648,370
Equity attributable to shareholders of the company		37,698,380	28,233,685	22,637,552	35,501,437	34,896,368
Non-controlling interests		28,677,845	27,853,620	17,017,963	-	-
Total equity		66,376,225	56,087,305	39,655,515	35,501,437	34,896,368
Total liabilities & equity		379,594,558	244,917,412	167,175,043	75,493,914	62,609,260

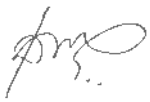
The notes on pages 146 through 310 form an integral part of these financial statements.

Figures in brackets indicate deductions

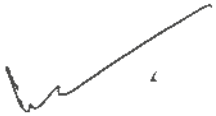
I certify that these financial statements have been prepared and are presented in compliance with the requirements of the Companies Act, No.07 of 2007.

Mrs. S.S. Kotakadeniya
Chief Financial Officer

The Board of Directors is responsible for the preparation and the presentation of these financial statements.
Approved and signed for and on behalf of the Board;



Mr. I.C. Nanayakkara
Deputy Chairman



Mr. W.D.K. Jayawardena
Group Managing Director / CEO

20th June 2016, Rajagiriya (Greater Colombo)

Statement of Profit or Loss

For the year ended 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000 Restated	2016 Rs.'000	2015 Rs.'000
Gross income	4	66,765,048	44,585,605	4,831,550	2,914,376
Interest income	4.1	38,654,652	27,774,990	1,883,911	988,486
Interest expenses	6	(18,850,392)	(12,508,370)	(3,191,053)	(1,686,278)
Net interest income		19,804,260	15,266,620	(1,307,142)	(697,792)
Revenue	4.2	20,228,126	10,728,830	-	-
Cost of sales		(12,702,851)	(7,239,535)	-	-
Gross profit		7,525,275	3,489,295	-	-
Income	4.3	6,751,926	4,752,194	71,158	57,752
Other income/(expenses)	5	1,130,344	1,329,591	2,876,481	1,868,138
Profit before operating expenses		35,211,805	24,837,700	1,640,497	1,228,098
Operating expenses					
Direct expenses excluding finance expenses	7	(5,163,640)	(3,142,816)	(63,377)	(13,303)
Personnel expenses	8	(10,309,111)	(4,970,286)	(175,455)	(155,396)
Net impairment loss on financial assets	9	(2,978,061)	(4,133,977)	1,811	16,135
Depreciation and amortisation	10	(1,577,846)	(1,067,178)	(360,747)	(306,724)
Other operating expenses	11	(6,470,433)	(5,972,501)	(207,797)	(310,606)
Results from operating activities	12	8,712,714	5,550,942	834,932	458,204
Share of profits of equity accounted investees, net of tax	13.1	3,094,237	2,080,221	-	-
Results on acquisition and divestment of group investments	14	50,963	538,138	-	-
Profit before income tax expense		11,857,914	8,169,301	834,932	458,204
Income tax expense	15	(2,526,527)	(1,870,647)	(146,152)	45,408
Profit for the year		9,331,387	6,298,654	688,780	503,612
Profit attributable to;					
Equity holders of the company		8,518,690	5,404,783	688,780	503,612
Non-controlling interests		812,697	893,871	-	-
		9,331,387	6,298,654	688,780	503,612

The notes on pages 146 through 310 form an integral part of these financial statements.

Figures in brackets indicate deductions

Statement of Comprehensive Income

For the year ended 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000 Restated	2016 Rs.'000	2015 Rs.'000
Profit for the year		9,331,387	6,298,654	688,780	503,612
Other comprehensive income					
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:					
Revaluation surplus of property, plant and equipment					
Revaluation of property, plant and equipment		1,960,991	209,287	-	-
Related tax	15.8	(137,435)	2,265	-	-
Defined benefit plan actuarial gains / (losses)					
Re-measurement of defined benefit liabilities	43	520,882	(13,017)	18,939	(57)
Related tax	15.8	(40,655)	78	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	147,842	(243,156)	-	-
		2,451,625	(44,543)	18,939	(57)
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods :					
Available for sale financial instruments					
Net change in fair value of available-for-sale financial assets		(624,567)	393,106	(101,931)	266,963
Transfers upon disposals		-	(114,374)	-	-
Foreign currency translation differences for foreign operations					
Exchange gain from translation of foreign operations		800,325	215,626	-	-
Fair value differences on cash flow hedges					
Net movement in cash flow hedges		416,017	(120,916)	(719)	(3,427)
Related tax		(71,299)	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	(965,125)	125,797	-	-
		(444,649)	499,239	(102,650)	263,536
Total other comprehensive income/ (expense) for the year, net of tax		2,006,976	454,696	(83,711)	263,479
Total comprehensive income for the year, net of tax		11,338,363	6,753,350	605,069	767,091
Total comprehensive income attributable to;					
Equity holders of the company		8,689,716	5,642,638	605,069	767,091
Non-controlling interests		2,648,647	1,110,712	-	-
		11,338,363	6,753,350	605,069	767,091
Basic earnings per share	16.1	17.93	11.37	1.45	1.06

The notes on pages 146 through 310 form an integral part of these financial statements.

Figures in brackets indicate deductions

Statement of Changes in Equity

Company	Note	Stated capital Rs.'000	Revaluation reserve Rs.'000	Cash flow hedge reserve Rs.'000	Fair value reserve on AFS Rs.'000
Balance as at 01 April 2014		475,200	1,300,116	4,146	-
Total comprehensive income for the period					
Profit for the year		-	-	-	-
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		-	-	-	266,963
Net movement of cash flow hedges		-	-	(3,427)	-
Re-measurement of defined benefit liabilities	43	-	-	-	-
Total comprehensive income for the period		-	-	(3,427)	266,963
Balance as at 31 March 2015		475,200	1,300,116	719	266,963
Total comprehensive income for the period					
Profit for the year		-	-	-	-
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		-	-	-	(101,931)
Transfer to revaluation reserve		-	(16,830)	-	-
Net movement of cash flow hedges		-	-	(719)	-
Deferred tax on re-measurement of defined benefit liabilities	15.8	-	-	-	-
Total comprehensive income for the period		-	(16,830)	(719)	(101,931)
Balance as at 31 March 2016		475,200	1,283,286	-	165,032

The notes on pages 146 through 310 form an integral part of these financial statements.

Figures in brackets indicate deductions

	Future taxation reserve	Retained earnings	Total
	Rs.'000	Rs.'000	Rs.'000
	205,000	32,144,815	34,129,277
	-	503,612	503,612
	-	-	266,963
	-	-	(3,427)
	-	(57)	(57)
	-	503,555	767,091
	205,000	32,648,370	34,896,368
	-	688,780	688,780
	-	-	(101,931)
	-	16,830	-
	-	-	(719)
	-	18,939	18,939
	-	724,549	605,069
	205,000	33,372,919	35,501,437

Statement of Changes in Equity

Group	Note	Stated capital Rs.'000	Revaluation reserve Rs.'000	Cash flow hedge reserve Rs.'000	Fair value reserve on AFS Rs.'000
Balance reported as at 01 April 2014		475,200	2,752,543	28,394	167,018
Re-statement due to LKAS 41 early adoption	57	-	-	-	-
Re-stated balance as at 01 April 2014		475,200	2,752,543	28,394	167,018
Total comprehensive income for the period					
Profit for the period		-	-	-	-
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		-	-	-	301,086
AFS transfers upon disposals		-	-	-	(43,018)
Revaluation of property, plant and equipment		-	89,961	-	-
Deferred tax on revaluation	15.8	-	852	-	-
Foreign currency translation differences for foreign operations		-	-	-	-
Net movement of cash flow hedges		-	-	(131,288)	-
Re-measurement of defined benefit liabilities	43	-	-	-	-
Deferred tax on re-measurement of defined benefit liabilities	15.8	-	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	-	99,724	-	(180,123)
Total comprehensive income for the period		-	190,537	(131,288)	77,945
Transactions with owners directly recorded in the equity					
Contributions by and distributions to owners					
Dividends paid during the period		-	-	-	-
Total contribution by / (distributions to) owners of the company		-	-	-	-
Transactions due to changes in group holding					
Non-controlling interests recognised on acquisition of subsidiaries		-	-	-	-
NCI contribution for subsidiary share issues		-	-	-	-
Changes in ownership interests in subsidiaries that do not result in a change in control		-	-	-	-
Total transactions due to changes in group holding		-	-	-	-
Total transactions with owners directly recorded in the Equity		-	-	-	-
Other movements in equity					
Depreciation transfer on revaluation		-	(10,666)	-	-
Net transfers to statutory reserve fund		-	-	-	-
Transfers to investment fund account		-	-	-	-
Share issue cost of subsidiary companies		-	-	-	-
Total other movements		-	(10,666)	-	-
Balance as at 31 March 2015		475,200	2,932,414	(102,894)	244,963

	Equity attributable to the shareholders of the company							
	Translation reserve	Future taxation reserve	Statutory reserve fund	Investment fund	Retained earnings	Total	Non-controlling interests	Total equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	161,493	205,000	1,290,782	752,675	17,069,012	22,902,117	17,017,963	39,920,080
	-	-	-	-	(264,565)	(264,565)	-	(264,565)
	161,493	205,000	1,290,782	752,675	16,804,447	22,637,552	17,017,963	39,655,515
	-	-	-	-	5,404,783	5,404,783	893,871	6,298,654
	-	-	-	-	-	301,086	92,020	393,106
	-	-	-	-	-	(43,018)	(71,356)	(114,374)
	-	-	-	-	-	89,961	119,326	209,287
	-	-	-	-	-	852	1,413	2,265
	165,627	-	-	-	-	165,627	49,999	215,626
	-	-	-	-	-	(131,288)	10,372	(120,916)
	-	-	-	-	(7,551)	(7,551)	(5,466)	(13,017)
	-	-	-	-	70	70	8	78
	-	-	-	-	(57,485)	(137,884)	20,525	(117,359)
	165,627	-	-	-	5,339,817	5,642,638	1,110,712	6,753,350
	-	-	-	-	-	-	(153,931)	(153,931)
	-	-	-	-	-	-	(153,931)	(153,931)
	-	-	-	-	-	-	8,773,296	8,773,296
	-	-	-	-	-	-	1,109,149	1,109,149
	-	-	-	-	(6,812)	(6,812)	18,133	11,321
	-	-	-	-	(6,812)	(6,812)	9,900,578	9,893,766
	-	-	-	-	(6,812)	(6,812)	9,746,647	9,739,835
	-	-	-	-	10,666	-	-	-
	-	-	407,001	-	(407,001)	-	-	-
	-	-	-	(752,675)	752,675	-	-	-
	-	-	-	-	(39,693)	(39,693)	(21,702)	(61,395)
	-	-	407,001	(752,675)	316,647	(39,693)	(21,702)	(61,395)
	327,120	205,000	1,697,783	-	22,454,099	28,233,685	27,853,620	56,087,305

Statement of Changes in Equity

Group	Note	Stated capital Rs.'000	Revaluation reserve Rs.'000	Cash flow hedge reserve Rs.'000	Fair value reserve on AFS Rs.'000
Balance as at 01 April 2015		475,200	2,932,414	(102,894)	244,963
Total comprehensive income for the period					
Profit for the period		-	-	-	-
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		-	-	-	(594,628)
Revaluation of property, plant and equipment		-	483,317	-	-
Deferred tax on revaluation	15.8	-	(17,614)	-	-
Foreign currency translation differences for foreign operations		-	-	-	-
Net movement of cash flow hedges		-	-	378,174	-
Deferred tax on cash flow hedges		-	-	(57,039)	-
Re-measurement of defined benefit liabilities	43	-	-	-	-
Deferred tax on re-measurement of defined benefit liabilities	15.8	-	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	-	61,548	-	(755,700)
Total other comprehensive income for the period		-	527,251	321,135	(1,350,328)
Total comprehensive income for the period		-	527,251	321,135	(1,350,328)
Transactions with owners directly recorded in the Equity					
Contributions by and distributions to owners					
Dividends paid during the period		-	-	-	-
Dividend forfeited during the period		-	-	-	-
Total contribution by / (distributions to) owners of the Company		-	-	-	-
Transactions due to changes in group holding					
Non-controlling interests recognised on acquisition of subsidiaries	30.6.10	-	-	-	-
NCI contribution for subsidiary share issues	30.8	-	-	-	-
Acquisition of non-controlling interests	30.9	-	-	-	-
Changes in ownership interests that do not result in a change in control		-	-	-	-
Total transactions due to changes in group holding		-	-	-	-
Total transactions with owners directly recorded in the Equity		-	-	-	-
Other movements in equity					
Depreciation transfer on revaluation		-	(25,480)	-	-
Net transfers to statutory reserve fund		-	-	-	-
Share issue cost of subsidiary companies		-	-	-	-
Total other movements		-	(25,480)	-	-
Balance as at 31 March 2016		475,200	3,434,185	218,241	(1,105,365)

The notes on pages 146 through 310 form an integral part of these financial statements.

Figures in brackets indicate deductions.

	Equity attributable to the shareholders of the company							
	Translation reserve	Future taxation reserve	Statutory reserve fund	Investment fund	Retained earnings	Total	Non-controlling interests	Total equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	327,120	205,000	1,697,783	-	22,454,099	28,233,685	27,853,620	56,087,305
	-	-	-	-	8,518,690	8,518,690	812,697	9,331,387
	-	-	-	-	-	(594,628)	(29,939)	(624,567)
	-	-	-	-	-	483,317	1,477,674	1,960,991
	-	-	-	-	-	(17,614)	(119,821)	(137,435)
	603,423	-	-	-	-	603,423	196,902	800,325
	-	-	-	-	-	378,174	37,843	416,017
	-	-	-	-	-	(57,039)	(14,260)	(71,299)
	-	-	-	-	55,248	55,248	465,634	520,882
	-	-	-	-	(4,480)	(4,480)	(36,175)	(40,655)
	(766)	-	-	-	19,543	(675,375)	(141,908)	(817,283)
	602,657	-	-	-	70,311	171,026	1,835,950	2,006,976
	602,657	-	-	-	8,589,001	8,689,716	2,648,647	11,338,363
	-							
	-	-	-	-	-	-	(208,150)	(208,150)
	-	-	-	-	3,676	3,676	33	3,709
	-	-	-	-	3,676	3,676	(208,117)	(204,441)
	-	-	-	-	-	-	354,484	354,484
	-	-	-	-	-	-	245,000	245,000
	-	-	-	-	881,930	881,930	(2,278,070)	(1,396,140)
	-	-	-	-	(110,168)	(110,168)	64,322	(45,846)
	-	-	-	-	771,762	771,762	(1,614,264)	(842,502)
	-	-	-	-	775,438	775,438	(1,822,381)	(1,046,943)
	-	-	-	-	25,480	-	-	-
	-	-	56,575	-	(56,575)	-	-	-
	-	-	-	-	(459)	(459)	(2,041)	(2,500)
	-	-	56,575	-	(31,554)	(459)	(2,041)	(2,500)
	929,777	205,000	1,754,358	-	31,786,984	37,698,380	28,677,845	66,376,225

Statement of Cash Flows

For the year ended 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000 Restated	2016 Rs.'000	2015 Rs.'000
Cash flows from operating activities					
Profit before income tax expense		11,857,914	8,169,301	834,932	458,204
Adjustment for:					
(Gain) / loss on sale of property, plant and equipment	5.1	(135,156)	(311,484)	(116,939)	(93,287)
Depreciation and amortisation	10	1,577,846	1,067,178	360,747	306,723
Insurance provision		1,285,583	850,032	-	-
Change in fair value of forward contracts	5.1	(108,825)	60,242	-	-
Provision for gratuity	43.1	351,302	82,331	14,978	30,584
Net impairment (loss) / reversal on financial assets	9	2,978,061	4,133,977	(1,811)	(16,135)
Provision for fall/(increase) in value of investments	5.1	99,615	(104,977)	89,959	(71,453)
Investment Income		(1,809,205)	(1,550,099)	(287,397)	(193,708)
Net finance costs		20,098,345	13,606,058	3,191,053	1,686,279
(Profit)/loss on sale of quoted and non-quoted shares	5.1	(130,108)	(105,927)	1,654	49,402
Foreign exchange gain / (loss)	5.1	80,402	(6,536)	-	-
Impairment of investments		-	-	-	57,933
Share of profits of equity accounted investees	13.1	(3,094,237)	(2,080,221)	-	-
Results on acquisition and divestment of Group investments	14	(50,963)	(538,138)	-	-
Loss in fair value of consumer biological assets	28.1	194,354	-	-	-
Change in fair value of investment properties	27	(135,120)	(152,182)	(9,000)	(12,500)
Amortisation of deferred income	42	(34,610)	(11,390)	-	-
Provision for slow moving inventories	23.1	(88,519)	(180,657)	-	-
Allowance for trade and other receivables	25.1.1	83,181	(3,903)	-	-
Transaction cost on acquisition of subsidiaries		-	18,724	-	-
Fair value of previously held interest in BRAC		-	(15,554)	-	-
Loss on disposal of subsidiaries	30.7.1	4,864	-	-	-
Operating profit before working capital changes		33,024,724	22,926,775	4,078,176	2,202,042
Working capital changes					
Increase/(decrease) in trade and other payables		3,984,128	(1,534,761)	(1,144,775)	1,936,031
(Increase)/decrease in investment in leases, hire purchase and others		(11,194,861)	(5,072,800)	(7,237)	(614)
(Increase)/decrease in investment in advances and other loans		(64,705,539)	(33,730,676)	(462,041)	217,209
(Increase)/decrease in premium receivables		(199,066)	(152,510)	-	-
(Increase)/decrease in inventories		(1,723,090)	770,499	(452,510)	34,186
(Increase)/decrease in trade and other receivables		(1,612,642)	(153,813)	(11,092,217)	(8,805,889)
Increase/(decrease) in customer deposits		23,578,493	855,585	-	-
Cash generated from operations		(18,847,853)	(16,091,701)	(9,080,604)	(4,417,035)
Finance cost paid		(19,835,244)	(13,566,660)	(3,275,596)	(1,817,461)
Income tax and economic service charge paid		(1,612,220)	(1,151,728)	(1,525)	(6,299)
Defined benefit plan costs paid	43	(284,887)	(29,576)	(4,630)	(5,181)
Net cash from/(used in) operating activities		(40,580,204)	(30,839,665)	(12,362,355)	(6,245,976)

For the year ended 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000 Restated	2016 Rs.'000	2015 Rs.'000
Cash flows from investing activities					
Investment in subsidiary companies		-	-	(189,881)	(3,175,707)
Net cash and cash equivalents on acquisition of subsidiary	30.6.11	(393,826)	(2,222,010)	-	-
Disposal of associates	32.5	1,103,230	-	-	-
Net cash and cash equivalents received on disposal of subsidiary	30.7.2	4,740	-	-	-
Investment in equity accounted investees	32.6	(276,539)	(163,647)	(166,172)	(640,955)
Acquisition of PPE / Investment properties		(5,424,129)	(3,042,991)	(1,209,031)	(637,761)
Acquisition / (disposal) of intangible assets	34.5	(176,861)	(139,829)	(70,000)	2,254
Net additions to trading assets		(1,260,613)	272,082	(2,573)	(299,238)
Net additions to investment securities		(42,693,744)	(831,100)	2,816	43,820
Proceeds from the disposal of PPE / Investment properties		465,137	589,634	343,610	212,734
Investment income received		1,809,205	1,550,099	-	2,075
Dividend received		479,514	332,125	101,660	26,668
Net additions of biological assets		(280,964)	(3,518)	-	-
Prepayment of lease rentals		(408,683)	(296,280)	-	-
Net cash flow from investing activities		(47,053,533)	(3,955,435)	(1,189,571)	(4,466,110)
Cash flows from financing activities					
Net cash proceeds from short term borrowings		21,850,963	33,413,985	8,023,432	8,712,349
Principal repayment under finance lease liabilities	38.2.2	(307,777)	(219,748)	(119,511)	(109,097)
Proceeds from long term borrowings		87,200,910	18,383,774	5,415,716	1,773,251
Repayments of long term borrowings	38.3	(22,218,903)	(25,224,038)	(1,823,826)	(1,484,000)
Issue / (repayment) of debentures		5,000,000	7,000,000	(1,110,000)	2,000,000
Dividends paid to non-controlling interests		(208,150)	(153,931)	-	-
Receipt of deferred income	42	77,976	8,950	-	-
NCI contribution to subsidiary share issues	30.8	245,000	1,109,149	-	-
Share issue cost of subsidiaries		(2,500)	(61,394)	-	-
Acquisition of non-controlling interests	30.9	(1,396,140)	-	-	-
Net cash generated from financing activities		90,241,379	34,256,747	10,385,811	10,892,503
Net increase/(decrease) in cash and cash equivalents during the year		2,607,642	(538,353)	(3,166,115)	180,417
Cash and cash equivalents at the beginning of the year		1,815,842	2,354,195	(125,067)	(305,484)
Cash and cash equivalents at the end of the year		4,423,484	1,815,842	(3,291,182)	(125,067)
Analysis of cash and cash equivalents at the end of the year	17				
Cash in hand and favourable bank balances		13,725,794	7,934,390	63,407	229,710
Unfavourable bank balances used for cash management purposes		(9,302,310)	(6,118,548)	(3,354,589)	(354,777)
		4,423,484	1,815,842	(3,291,182)	(125,067)

The notes on pages 146 through 310 form an integral part of these financial statements.

Figures in brackets indicate deductions

Notes to the Financial Statements

1. Reporting Entity

1.1 General

Lanka ORIX Leasing Company PLC ('the Company') is a public quoted company incorporated on 14 March 1980 and domiciled in Sri Lanka. The address of the Company's registered office is No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, Sri Lanka and the principal place of business is situated at the same place.

The Consolidated Financial Statements of the Group as at and for the year ended 31st March 2016 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

The Group is primarily involved in providing diversified financial solutions to a wide variety of customer segments and also engaged in diversified activities such as manufacturing, trading, leisure, plantations, real estate development, construction and power & energy etc.

Ordinary shares of the Company are listed on the main board of the Colombo Stock Exchange (CSE).

1.2 Principal activities and nature of operations

Lanka ORIX Leasing Company PLC, the Group's holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the LOLC Group, and provides function based services to its subsidiaries, jointly controlled entities and associates.

Description of the nature of operations and principle activities of the subsidiaries, jointly-controlled entities and associates are given on note 30.3 and 32.3 respectively to these Financial Statements. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

All the group companies incorporated and domiciled in Sri Lanka except for following subsidiaries and associates;

Company	Relationship	Country of incorporation
LOLC (Cambodia) Plc (formerly known as Thaneakea Phum (Cambodia) Ltd)	Subsidiary	Cambodia
Bodufaru Beach Resorts (Pvt) Ltd	Subsidiary	Maldives
LOLC Myanmar Micro-Finance Company Limited	Subsidiary	Myanmar
PRASAC Micro Finance Institution Limited	Associate	Cambodia

1.3 Parent entity and ultimate parent entity

Lanka ORIX Leasing Company PLC is the holding company of the Group and therefore, it does not have an identifiable immediate or ultimate parent of its own. Lanka ORIX Leasing Company PLC became the holding company of the Group during the financial year ended 31 March 2011.

2. Basis of Preparation

2.1 Statement of compliance

The Financial Statements of the Company and those consolidated with such are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the Companies Act No. 07 of 2007.
The presentation of these Financial Statements is also in compliance with the requirements of the Finance Leasing Act No 56 of 2000, Finance Business Act No 42 of 2011 and Insurance Industry Act No 43 of 2000 and subsequent amendments thereto.

2.2 Presentation of financial statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in-order to reflect their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in note 53 (Maturity analysis)

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position

only when there is a legally enforceable right to off-set the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of profit or loss unless required or permitted by an accounting standard or an interpretation, and as specially disclosed in the accounting policies of the Group.

2.3 Basis of measurement

The Financial Statements of the Group and the Company have been prepared on the historical cost basis, except for the following material items in the statement of financial position,

- Financial instruments at Fair Value through Profit or Loss are measured at fair value
- Derivative financial instruments are measured at fair value
- Available-for-sale financial assets are measured at fair value
- The liability for defined benefit obligations are measured at the present value
- Lands and buildings are measured at the revalued amounts
- Investment properties are measured at fair value
- Consumable Biological assets are measured at fair value less cost to sell

2.4 Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the entities of the Group operate. The Financial Statements are presented in Sri Lankan Rupee (LKR), which is the functional currency of the Group. All financial information presented in Rupee has been rounded to the nearest Rupees thousands unless stated otherwise.

2.5 Use of estimates and judgment

The preparation of the Financial Statements in conformity with SLFRSs/LKAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes to these financial statements.

Critical accounting estimate/judgment	Disclosure reference Note
Financial Instruments – fair value disclosure	51
Determination in fair value of Investment properties	27.3
Useful lives of intangible assets	3.8.5
Useful lives of property, plant and equipment	3.9.1.7
Useful lives of Bearer biological assets	3.30.7
Determination in fair value of Consumable biological assets	28.2
Goodwill on acquisition	3.1.15/34.1
Gain on bargain purchase	3.1.16
Insurance provision – life	3.29.6
Insurance provision – general	3.29.5
Unearned premium reserve	3.29.5.3
Deferred acquisition cost	3.29.5.6
Retirement benefit obligation	43.2
Un-recognised deferred tax assets	33.6
Deferred tax on undistributed profits of equity accounted investees	3.11.2.2
Write-off policy	3.4.4.2
Collective allowance for impairment	3.4.4
Leasehold right to bare land	3.9.2
Impairment of non-financial assets	3.10
Nature of the relationship between the parent and subsidiaries when the parent does not own, more than half of the voting power	30.5
Material NCI	3.1.3/30.10

Notes to the Financial Statements

2.6 Comparative information

The comparative information is re-classified/restated wherever necessary to conform with the current year's classification in order to provide a better presentation. 2014/15 Comparatives were rested based on the early adoption of LKAS 16 and LKAS 41 which is fully described in note 57.

2.7 Materiality, presentation and aggregation

As per LKAS – 01 "Presentation of Financial Statements", each material class of similar items are presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.8 Offsetting

Assets and liabilities, and income and expenses, are not offset unless required or permitted by SLFRSs/LKASs.

2.9 Going concern

The Board of Directors is satisfied that the Group has adequate resources to continue its operations in the foreseeable future and management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore going-concern basis has been adopted in preparing these financial statements.

2.10 Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company" and "Director's Responsibility for Financial Reporting".

These Financial Statements include the following components;

- A Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end.
- A Statement of Profit or Loss providing the information on the financial performance of the Group and the Company for the year under review.
- A Statement of Other Comprehensive Income providing the information of the other comprehensive income of the Group and the Company.
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.
- A Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows, and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.11 Approval of financial statements by the board of directors

The Financial Statements of the Group and the Company for the year ended 31 March 2016 including comparatives) were approved and authorised for issue by the Board of Directors on 20 June 2016.

2.12 Changes in accounting policies

Except for the changes below, the Group has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2016.

2.12.1 Agriculture : Bearer plants

Amendments to LKAS 16 and LKAS 41- Agriculture : Bearer plants

The nature and the effects of the changes are explained below.

Pursuant to the amendments made to the LKAS 16 and LAKS 41 which was effective for the annual financial reporting periods beginning on or after 1st January 2016 with early adoption being permitted. This amendment requires the bearer plants which were previously measured at fair value under LKAS 41 – "Agriculture" to be accounted within the scope of LKAS 16 – "Property, Plant and Equipment".

Under the said amendment, the group decided to early adopt this amendment under cost option for the year ended 31st March 2016 by restating the earliest period presented as required by LKAS 8 – "Accounting Policies, Changes in accounting estimates and Errors".

The overview and the impact of the financial statements fully described in Note 57.

2.13 New accounting standards issued but not effective at reporting date

The Accounting standards issued but not effective at the reporting date is given below with expected impact on Group Financial Statements. The Group will apply the accounting standards when they become effective.

2.13.1 SLFRS 9 - Financial instruments

SLFRS 9 - Financial Instruments, which replaces the provisions of LKAS 39 Financial Instruments: Recognition, measurement and classification of financial assets and requirements with respect to the classification and measurement of financial liabilities, the de-recognition of financial assets and financial liabilities and how to measure fair value were added to SLFRS 9. Most of these requirements have been carried forward without substantive amendment from LKAS 39. However, to address the issue of own credit risk some changes are made to the fair value option for financial liabilities.

The standard is applied retrospectively in accordance with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors with certain exemptions.

SLFRS 09 is effective for annual periods beginning on or after 1 January 2018.

2.13.2 SLFRS 14 – Regulatory deferral accounts

The objective of this Standard is to specify the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.

SLFRS 14 will become effective on 1 January 2016. The impact on the implementation of the above Standard has not been quantified yet.

2.13.3 SLFRS 15 – Revenue from contracts with customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including Sri Lanka Accounting Standard (LKAS 18) – "Revenue", Sri Lanka Accounting Standard (LKAS 11) – "Construction Contracts" and IFRIC 13 – "Customer Loyalty Programs". This standard is effective for the annual periods beginning on or after 01 January 2018.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements unless otherwise indicated.

These accounting policies have been applied consistently by entities within the Group.

3.1 Basis of consolidation

3.1.1 Business combinations

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in Profit or Loss.

Notes to the Financial Statements

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. If a member of the group uses accounting policies other than those adopted in the consolidated Financial Statements for similar transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements in preparing the consolidated Financial Statements.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.1.3 Non-controlling interests

Non-controlling Interests is the equity in a subsidiary not attributable, directly or indirectly, to the parent are presented in the Statement of Financial Position within Equity, separately from the Equity attributable to Shareholders Holders of the Parent (Company).

Material NCI of the Group disclosed in Note 30.10 and material NCI is determined based on Group threshold contribution to statement of financial position.

3.1.4 Acquisition of non-controlling interests

Subsequent to the acquisition of control, any further acquisition of net assets from non-controlling interest is accounted for as transactions with owners in their capacity as owners. Therefore no goodwill or gain on bargain purchase is recognised as a result of such transactions.

Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

3.1.5 Transactions do not result a change in control

Changes in the Group's interest in a subsidiary that do not result in a loss of control status are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests and parent's equity are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill recognised and no gain or loss is recognised in Profit or Loss.

3.1.6 Common control transactions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.

The acquirer of the common control transaction applies book value accounting for all common control transactions.

In applying book value accounting, no entries are recognised in Profit or Loss; instead, the result of the transaction is recognised in equity as arising from a transaction with shareholders.

3.1.7 Loss of control

The parent can lose control of a subsidiary with or without a change in absolute or relative ownership levels. Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any minority interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of statement of profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as other financial asset depending on the level of influence retained.

3.1.8 SLFRS 10 - Consolidated financial statements

SLFRS 10 Consolidated Financial Statements, which replaces LKAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation-Special Purpose Entities. Additionally, the ICASL published SLFRS - 12 Disclosure of Interests in Other Entities and LKAS 27 Separate Financial Statements.

The main changes from LKAS 27 and SIC-12 are a single control model is applied to determine whether an investee should be consolidated, Control assessment includes consideration of substantive potential voting rights as opposed to currently exercisable potential voting rights, Guidance is provided for assessing whether the investor is a principal or an agent in respect of its relationship with the investee. A principal could consolidate an investee whereas an agent would not because the linkage between power and returns is not present. SLFRS 10 is effective for annual periods beginning on or after 1 January 2014.

3.1.9 Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating activities. Significant influence is presumed to exist when the Group holds between twenty and fifty percent of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Acquisitions of additional stakes of equity accounted investees, until the control is established, are accounted as goodwill within the equity accounted investment if consideration paid is more than the net asset acquired or taken into to profit or loss as gain on bargain purchase if the net asset acquired is more than the consideration paid.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Associate Companies of the Group which have been accounted for under the equity method of accounting are disclosed under Note 32.5 to these Financial Statements.

3.1.10 Jointly-controlled entities

Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly-controlled entities are accounted for using equity method, from the date that joint control commences until the date that joint control ceases.

Notes to the Financial Statements

3.1.11 Reporting date

All the Group's Subsidiaries, Associate Companies and joint venture companies have a common financial year end which ends on 31st March other than Commercial Insurance Brokers Limited, LOLC Insurance Company Limited, PRASAC Micro Finance Company and Seylan Bank PLC whose financial year ends on 31st December.

The difference between the reporting date of the above companies and that of the parent does not exceed three months.

However for the Group financial reporting purposes; the Financial Statements ending 31 March of the above mentioned subsidiaries and associates are considered.

3.1.12 Balances and transactions eliminated on consolidation

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

3.1.13 Business combinations

All business combinations have been accounted for by applying the acquisition method in accordance with the SLFRS 3 - Business Combinations. Applying this method involves the entity that obtains control over the other entity to recognise the fair value of assets acquired and liabilities and contingent liabilities assumed, including those not previously recognised.

3.1.14 Cost of acquisition

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. This excludes any transaction costs incurred.

3.1.15 Goodwill on acquisition

Goodwill represents the excess of the cost of any acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Statement of statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Carrying amount of the goodwill arising on acquisition of subsidiaries and joint ventures is presented as an intangible and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

3.1.16 Gain on bargain purchase (negative goodwill)

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately in the Consolidated Statement of statement of profit or loss.

3.2 Foreign currency

3.2.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees - LKR) of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in Statement of statement of profit or loss.

3.2.2 The net gain or loss on conversion of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into Sri Lanka Rupees (LKR) at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Sri Lanka Rupees at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (Translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Profit or Loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while relating control , then the relevant proportion of the cumulative amount is attributed to NCI.

If a settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI, and accumulated in the translation reserve within equity.

3.3 Fair value measurement - SLFRS 13

SLFRS 13 Fair Value Measurement applies to SLFRSs that require or permit fair value measurement or disclosures and provides a single SLFRS framework for measuring fair value and disclosures on fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

SLFRS 13, defines fair value, sets out in a single SLFRS a framework for measuring fair value disclosures on fair value measurements.

3.4 Financial instruments

3.4.1 Financial assets

Financial assets are within the scope of LKAS 39 are classified appropriately as fair value through Profit or Loss (FVTPL), loans and receivables (L & R), held to maturity (HTM), available-for-sale (AFS) at its initial recognition.

All the financial assets are recognised at fair value at its initial recognition.

3.4.1.1 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognised in Profit or Loss.

The Group's investments in certain equity securities and derivative instruments which are not accounted under hedge accounting are classified under fair value through profit or loss.

3.4.1.2 Loans and Receivables (L&R)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables of the Group comprise of the following,

Notes to the Financial Statements

3.4.1.2.1 Rental receivables on finance leases and hire purchases

Rentals receivable on leased and hire purchase assets are accounted for as finance leases and reflected in the statement of financial position at balance cost recoverable after eliminating unearned income and deducting pre-paid rentals, rental collections and impairment losses.

3.4.1.2.2 Rental receivables on operating leases

Leases where the group as the lessor effectively retains substantially all the risk and rewards incidental to the ownership are classified as operating leases. Lease rentals from operating leases are recognised as income on a straight-line basis over the lease term.

3.4.1.2.3 Advances and other loans to customers

Advances and other loans to customers comprised of revolving loans, loans with fixed installments, factoring and gold loans.

Revolving loans to customers are reflected in the statement of financial position at amounts disbursed less repayments and allowance for impairment losses. Loans to customers with fixed installments are stated in the statement of financial position net of possible loan losses and net of interest, which is not accrued to revenue.

3.4.1.2.4 Gold loans

The Group provides gold loan facilities with different maturities which are less than one year. The amounts receivables from Gold loans are included in the advances and other loans at the amounts expect to be recovered.

3.4.1.2.5 Trade receivables

Trade receivables are stated at the amounts they are estimated to realise, net of provisions for impairment. An allowance for impairment losses is made where there is objective evidence that the Group will not be able to recover all amounts due according to the original terms of receivables. Impaired receivables are written-off when identified.

3.4.1.3 Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group has not classified any instrument as held to maturity.

3.4.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

Subsequent to initial recognition, these are measured at fair value and changes therein, other than impairment losses recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to Profit or Loss.

3.4.1.5 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Group cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.4.2 Financial liabilities

The Group initially recognises debt securities, deposits from customers, loans & borrowings on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instrument.

The Group derecognises financial liability when it's contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using effective interest rate method.

Other financial liabilities comprise of loans & borrowings, bank overdraft, customer deposits and debentures issued.

3.4.2.1 Finance leases

Property and Equipment on finance leases, which effectively transfer to the Group substantially the entire risk and rewards incidental to ownership of the leased items, are disclosed as finance leases at their cash price and depreciated over the period the Group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the Statement of statement of profit or loss over the period of lease.

3.4.2.2 Lease payments

Payments made under operating leases are recognised in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.4.3 Accounting for non-derivative financial instruments

3.4.3.1 Recognition

The Group initially recognises loans and advances, deposits, debt securities and subordinated liabilities on the date at which they are originated. All the financial assets and liabilities other than regular purchases and sales are recognised on the date the Group becomes a party to the contractual provisions of the instrument.

3.4.3.2 De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in Profit or Loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

Transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3.4.3.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation and as specifically disclosed in the accounting policies of the company.

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3.4.3.4 Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.4.3.5 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and other equity pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in Statement of Financial position.

3.4.3.6 Valuation of financial instruments

The Group measures the fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – Quoted market price (unadjusted) in an active market of an identical instrument.

Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), this category included instruments valued using: quoted market prices in active markets similar instruments; quoted prices for identical or similar instruments in markets are considered less than active: or other valuation techniques where all significant inputs are directly observable from market data.

Level 3 – Valuation techniques use significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques

Valuation techniques include comparison of similar instruments for which market observable prices exist, other equity pricing models and other valuation models.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

The Group widely recognised valuation models for determining fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated

with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets are is prone to changes based on specific events and general conditions in the financial markets.

3.4.4 Impairment of financial instruments

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through Profit or Loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group of economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence for impairment.

The Group considers evidence of impairment for loans and advances at both specific and collective basis. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances that are not individually significant are collectively assessed for impairment by grouping them together with similar risk characteristics based on product types. In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling, Default rates, loss rates and the expected timing of future recoveries are regularly taken into account to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in Profit or Loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Profit or Loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to Profit or Loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to Profit or Loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in Profit or Loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3.4.4.1 Reversal of impairment loss

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Profit or Loss, the impairment loss is reversed, with the amount of the reversal recognised in Profit or Loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income. The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible.

3.4.4.2 Write-off of financial assets carried at amortised cost

Financial assets (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, this is generally after receipt of any proceeds from the realisation of security

Notes to the Financial Statements

3.4.5 Accounting for derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

3.4.5.1 Hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. On initial designation of derivative as hedge instrument, the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge.

Group treasury is also required to documented assessments, both at hedge inception and on an on-going basis, of whether or not the hedging instruments, primarily forward rate contracts, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

3.4.5.1.1 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges as recognised in other comprehensive income and presented in the hedging reserve in equity. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Profit or Loss during that period. The accumulated gains and losses recognised in other comprehensive income are reclassified to the statement of profit or loss in the periods in which the hedged item will affect Profit or Loss.

If the hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. In such a case, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs.

3.4.5.1.2 Hedge effectiveness testing

To qualify for hedge accounting, at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective and demonstrate actual effectiveness on an on-going basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For establish effectiveness, the hedging instrument is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in cash flows must offset each other within the range of 80% to 125%. In evaluating the hedge effectiveness the entity takes into account the future forward currency contracts and evaluates the effectiveness of the hedge by taking into consideration the total period of the hedged item. The ineffective portion of the derivative portion will be recognised immediately in Statement Comprehensive Income.

3.4.5.1.3 Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the Profit or Loss.

3.4.6 Reclassification of financial instruments

The Group reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables' or 'held to maturity' categories as permitted by LKAS 39. Further, in certain circumstances, the Group is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to Profit or Loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the Profit or Loss when such a financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of statement of profit or loss.

The group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate. Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

3.5 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

For manufacturing stocks, provision for slow moving inventories are made when the holding period exceeds 365 days, and the sale of the inventories is no longer probable.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

Type of inventory	Method of valuation
Input materials	Weighted average basis
Growing crop - nurseries	At the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads less provision for over-grown plants
Harvested crop assets point the	Agricultural produce harvested from an entity's biological shall be measured at its fair value less costs to sell at the of harvest. Such measurement is deemed to be the cost at time of transferring the harvested crop to inventories.
Spares and Consumables	Weighted average basis
Finished goods and work-in-progress	First in First out (FIFO) basis

Certified Emission Reduction (CER)

Carbon credit units as at the reporting date have been valued at their estimated net realisable value as inventories and disclosed in the Financial Statements as Certified Emission Reduction (CER).

CER represents units of greenhouse gas reduction that has been generated certified by the United Nations under the Cleaned Development Mechanism (CDM) provision of the Kyoto Protocol. These CERs can be traded and sold and used by industrialised countries to meet part of their Emission Reduction targets.

According to the ruling issued by Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), CER units have been recognised as an asset and disclosed under inventories. These inventories have been measured at Net Realisable Value (NRV) and any changes in value as at reporting date is recognised in the Profit or Loss.

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3.5.1 Real estate stocks

Real estate stocks of the Group represent the purchase value of properties acquired for re-sale. Carrying value of the real estate stocks as at the reporting date represents the purchase value of properties and any subsequent expenditure incurred on developing of such properties.

3.6 Non-financial receivables

Other receivable balances are stated at estimated amounts receivable after providing for impairment.

3.7 Investment properties

3.7.1 Basis of recognition

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

3.7.2 Basis of measurement

3.7.2.1 Fair value model

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the Statement of statement of profit or loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per LKAS 16- Property, Plant and Equipment.

3.7.2.2 De-recognition

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of statement of profit or loss in the year of retirement or disposal.

3.7.2.3 Subsequent transfers to/from investment property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of statement of profit or loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of statement of profit or loss.

3.7.2.4 Determining fair value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio as at each reporting date. In financial periods within that period the fair value is determined by the Board of Directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

3.8 Intangible assets

3.8.1 Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

3.8.2 Basis of measurement

Intangible assets acquired separately are measured as initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful life are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

3.8.3 Subsequent expenditure

Subsequent expenditure on intangible assets are capitalised only when it increases the future economic benefits embodied these assets. All other expenditure are expensed when incurred.

3.8.4 De-recognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

3.8.5 Amortisation

Amortisation is recognised in the Statement of statement of profit or loss on a straight-line basis over the estimated useful life of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of each intangible asset is as follows;

Computer software	5 years
License and Fees	20 years
Customer base	5 years
Brand name	10 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and are adjusted as appropriate.

3.9 Property, plant and equipment

3.9.1 Freehold property, plant & equipment

3.9.1.1 Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the assets will flow to the Group and cost of the asset can be reliably measured.

3.9.1.2 Basis of measurement

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

3.9.1.3 Cost model

The Group applies the cost model to all property, plant and equipment except freehold land and buildings; which is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

3.9.1.4 Revaluation model

The Group revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognised

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in the Statement of statement of profit or loss. A decrease in value is recognised in the Statement of statement of profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

3.9.1.5 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in Profit or Loss as incurred.

3.9.1.6 Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised and presented in the revaluation reserve in equity. Any loss is recognised immediately in Profit or Loss.

3.9.1.7 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in Profit or Loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

Depreciation methods, useful life values are assessed at the reporting date. The estimated useful lives for the current year are as follows:

Free-hold and lease-hold Building	40-50 years
Free-hold and lease-hold Motor Vehicles	4-8 years
Furniture and Fittings	5-10 years
Office Equipment	4-5 years
Computer equipment	5-8 years
Plant and Machinery	8-20 years
Water Sanitation	20 years
Roads & Bridges	50 years
Penstock Pipes	20 years
Power/Electricity Supply	13 1/3 years
Security fencing	3 years
Cutlery, Crockery & Glassware	5 years
Linen	3 years
Swimming pool	10 years

3.9.1.8 De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, recognised net within other income/ other expenses in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.9.2 Leasehold property, plant & equipment (assets acquired on finance leases)

Leases in terms of which the Group assumes substantially obtained all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation.

3.9.3 Capital work-in-progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of properties.

3.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.11 Tax expense

Tax expense comprises of current, deferred tax and other statutory taxes. Income tax expense is recognised in Statement of statement of profit or loss except to the extent that it relates to items recognised directly in the Statement of Other Comprehensive Income or Statement of Changes in Equity.

3.11.1 Current tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act. No 10 of 2006 and subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

3.11.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable Profit or Loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.
- Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be

Notes to the Financial Statements

available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of statement of profit or loss.

3.11.2.1 Accounting for deferred tax for the companies enjoying tax holidays

Group companies enjoying a tax exemption period shall only recognise deferred tax in their Financial Statements for temporary differences, where reversals of such differences extend beyond the tax exemption period.

Deferred Tax shall not be considered nor provided for assets/liabilities for which tax impacts and reversals take place within the tax exemption period. There will be no tax implications that take place after the expiration of the tax exemption period for such assets.

Where a Company is entitled to claim the total value or any part of expenditure made during the tax holiday period, as deductions for tax purposes after the tax holiday period, such an entity will treat such amount of expenditure as part of the tax base throughout the tax holiday period in the purpose of recognising deferred tax.

3.11.2.2 Deferred tax on undistributed profits of equity accounted investees

The Group does not control its equity accounted investees. It is therefore generally not in a position to control the timing of the reversal of a possible taxable temporary difference relating to the undistributed profits of the equity accounted investees.

The Group calculates deferred tax based on the most likely manner of reversal, taking into account management's intent and the tax jurisdiction applicable to relevant equity accounted investees.

The management intends to recover the carrying amount of the investment primarily through sale of the investment rather than through dividends. The deferred tax implications are evaluated based on the tax consequences on the sale of investments.

Since the carrying amount is expected to be recovered through a sale transactions which has no tax consequences, no temporary difference arise on the equity accounted investees and no deferred tax is provided.

3.11.3 Withholding tax on dividends

Dividend distributed out of taxable profit of the local companies attracts a 10% deduction at source and is not available for set off against the tax liability of the Company. Withholding tax that arises from the distribution of dividends by the Company is recognised at the same time as the liability to pay the related dividend is recognised.

3.11.4 Economic service charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed amount can be carried forward and set off against the income tax payable in the five subsequent years as per the relevant provision in the Act.

3.11.5 Nation building tax (NBT)

As per the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax should be payable at the rate of 2% with effect from 1 January 2011 on the liable turnover as per the relevant provisions of the Act.

3.11.6 Value added tax on financial services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees. VAT on financial services is computed on the prescribed rate of 11%.

3.11.7 Sales taxes (value added tax and turnover tax)

Revenues, expenses and assets are recognised net of the amount of sales tax except for the following;

- Sales tax incurred on a purchase of a assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

3.12 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalised as part of the assets.

Borrowing costs that are not directly attributable to the acquisition,
construction or production of a qualifying asset are recognised in Profit or Loss using the effective interest method.

Other non-financial liabilities and provisions

Liabilities are recognised in the Statement of Financial Position when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor within one year of the reporting date are treated as current liabilities. Liabilities payable after one year from the reporting date are treated as non-current liabilities.

3.13 Deposit insurance scheme

In terms of the Finance Companies Direction No 2 of 2010 “Insurance of Deposit Liabilities” issued on 27th September 2010, all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance

Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include time and savings deposit liabilities and exclude the following.

Deposit liabilities to member institutions

Deposit liabilities to the Government of Sri Lanka

Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of Registered Finance Companies.

Deposit liabilities held as collateral against any accommodation granted

Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance
Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at each month to be payable within a period of 15 days after the respective month end.

3.14 Grants and subsidies

3.14.1 Grants related to assets

Grants related to property, plant and equipment are initially deferred and allocated to Statement of statement of profit or loss on a systematic basis over the useful life of the related property, plant and equipment. Grants related to assets, including non-monetary grants at fair value, are deferred in the statement of financial position and credited to the Statement of statement of profit or loss over the useful life of the related asset as given below;

Company	No. of years	Rate %
Building	40	2.5
Plant and machinery	13 1/3	7.5
Equipment	8	12.5
Roads	50	2
Vehicles	5	20

Relevant assets are presented separately in the Financial Statements without setting off against the respective grants.

3.14.2 Grants related to assets

Grants related to income are recognised in the Statement of statement of profit or loss in the period in which they are receivable.

Notes to the Financial Statements

3.15 Employee benefits

3.15.1 Defined contribution plans

A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Plans are recognised as an employee benefit expense in the Statement of statement of profit or loss in the periods during which services are rendered by employees.

3.15.1.1 Employees' provident fund (EPF), Ceylon plantation provident society (CPPS) and Estate staff provident society (ESPS)

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the above mentioned funds.

3.15.1.2 Employees' trust fund (ETF)

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.15.2 Defined benefits plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed every three years by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in Profit or Loss.

The Group recognises all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognise as personnel expenses in Statement of statement of profit or loss. The retirement benefit obligation is not externally funded.

3.15.3 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.16 Accounts payables and accrued expenses

Trade and other payables are stated at amortised cost.

3.17 Provisions, contingent assets and contingent liabilities

Provisions are made for all obligations (legal or constructive) existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

Statement of statement of profit or loss

3.18 Gross income

Gross income comprises of revenue, income and other income other than those relating to contributions from equity participants.

The following are the main components of the revenue;

Type of inventory	Method of valuation
Finance & leasing	Earned income on leases, hire purchases, factoring, margin trading, loans and advances
Insurance	Gross written premium
Manufacturing, trading & industrial related services	Production, sale of consumer, agricultural, motor vehicles and items and providing related services
Leisure and entertainment	Accommodation sales, service charges, food & beverages income outlet sales
Plantation	Sale of perennial crops
IT services	IT service fee
Stock brokering	Brokerage fees
Power generation	Sale of electrical energy
Construction	Contract fee
Real estate	Rental income

Revenue is income that arises in the course of ordinary activities of group companies. Other Income such as interest on treasury bills, bonds and debentures, gain on disposal of property, plant and equipment, rental income, dividend income, royalty income, foreign exchange gain, franchise fees, gain on disposal of investments securities, gain on marked to market valuation of investments etc... is also included in gross income.

3.18.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, net of sales within the Group.

3.18.2 Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

3.18.3 Rendering of services

Revenue from services rendered is recognised in Profit or Loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.18.4 Interest income on leases, hire purchases, loans and advances

Interest income and expense are recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expenses presented in the Statement of statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- interest on available for sale investment securities calculated on an effective interest basis

Interest income and expenses on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Notes to the Financial Statements

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through Profit or Loss, are presented in net income from other financial instruments at fair value through Profit or Loss in the Statement of statement of profit or loss.

3.18.5 Fees and other income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.18.6 Net trading income

Net trading income comprise of gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.18.7 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through Profit or Loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through Profit or Loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.18.8 Factoring income

Revenue is derived from two sources, Funding and providing Sales Ledger Related Services.

Funding - Discount income relating to factoring transactions are recognised at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client's current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on accrual basis and deemed earned on disbursement of advances for invoices factored.

3.18.9 Revenue from accommodation sales and services charge

Revenue from accommodation sales is recognised for the rooms occupied on a daily basis, together with outlet sales and other income from hotel operations.

90% of Service Charge collected from guests is distributed among the employees, retaining 10% of such service charges collected for recovery of breakages of cutlery, crockery, glassware and stainless steel items. Any balance amount of the retention after recovery of actual breakages is redistributed among employees after the end of each financial year.

3.18.10 IT service fee

IT services fee is accounted for on accrual basis.

3.18.11 Turnover from sale of solar systems and sale of electricity

The above revenue components are accounted on accrual basis.

3.18.12 Other income

Rent income, non-operational interest income, royalty income and franchise fees are accounted for on accrual basis.

Dividend income is recognised when the right to receive payment is established.

Gain on disposal of property, plant and equipment and other non-current assets, including investments held by the Group have been accounted for in the Statement of statement of profit or loss, carrying amount of such assets after deducting from the net sales proceeds on disposal.

3.18.13 Rental income

Rental income from investment property is recognised in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

3.18.14 Amortisation of government grants received

An unconditional government grant related to a biological asset is recognised in the Statement of statement of profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in the Statement of statement of profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in the Statement of statement of profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3.19 Expenses recognition

Expenses are recognised in the Statement of statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of the statement of profit or loss the Directors are of the opinion that the nature of the expenses method present fairly the element of the Company's performance, and hence such presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the statement of profit or loss.

Repairs and renewals are charged to the Statement of Comprehensive Income in the year in which the expenditure is incurred.

3.20 Finance income and finance costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, fair value gains on financial assets. Interest income is recognised as it accrues in Profit or Loss, using the effective interest method. Dividend income is recognised in Profit or Loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables), are recognised in the statement of profit or loss.

3.21 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the Profit or Loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the Profit or Loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.22 Statement of cash flows

The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 7 'Cash Flow Statements.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

3.23 Related party disclosures

3.23.1 Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24.

3.23.2 Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), personnel that hold designation of Deputy General Manager and above positions and their immediate family member have been classified as Key Management Personnel of the Company.

Notes to the Financial Statements

The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Key Management Personnel for more than 50% of his/her financial needs.

3.24 SLFRS 12 - Disclosure of interests in other entities

SLFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

The objective of SLFRS 12 is to require the disclosure of information that enables users of Financial Statements to evaluate the nature of, and risks associated with, its interests in other entities, the effects of those interests on its financial position, financial performance and cash flows.

SLFRS 12 was effective for annual periods beginning on or after 1 January 2014.

3.25 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by Group Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Accordingly, the segment comprises of financial services, insurance, IT services, Trading, Leisure, Plantation, Power and Energy and Others are described in Note .....

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

3.26 Subsequent events

All material subsequent events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.27 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

3.28 Capital management

The Board of Directors monitors the return on capital investment on a month basis. This review is mainly carried out through return on investment analysis prepared on a quarterly basis. The plan forecasts are also reviewed on a monthly basis to ensure that targets are met in order to manage the capital invested in Group Companies.

The Board of Directors also decides and monitors the level of dividends to ordinary shareholders.

The Company does not subject to any externally impose capital requirements. However companies within the group have such requirement based on the industry in which such company is established. Group companies which require externally imposed capital will monitor such requirement on a regular basis and report to respective legal authority in order to ensure compliance with such regulatory requirement.

Accounting policies applies to specific industry sectors

3.29 Insurance sector

3.29.1 Product classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

3.29.2 Reinsurance receivable/payable

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the comprehensive statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

3.29.3 Liability adequacy test

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the statement of profit or loss by setting up an additional provision in the Statement of Financial Position.

3.29.4 Insurance premium receivables

Collectability of premiums and other debts are reviewed on an on-going basis. Policies issued on credit basis and that are known to be uncollectible are cancelled and the respective gross written premium is reversed. A provision for doubtful debts is raised when some doubt as to collection exists.

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the comprehensive statement of profit or loss.

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

3.29.5 General insurance business

3.29.5.1 Gross written premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.29.5.2 Reinsurance premium

Reinsurance premium expense is accrued on active policies on a monthly basis.

3.29.5.3 Unearned premium reserve

Unearned premium is the portion of gross written premium and reinsurance premium written in the current year in respect of risk related to subsequent periods. Unearned premium is calculated on the 1/365 basis in accordance with the Rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act, No. 43 of 2000.

3.29.5.4 Unexpired risks

Provision is made where appropriate for the estimated amount required over and above unearned premium to meet future claims and related expenses on the business in force as at 31st December.

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3.29.5.5 Unexpired risk reserve

The calculation of premium liability requires a comparison between the company's held unearned premium reserve less DAC provision with actuarial estimate of the unexpired risk for the total general insurance business. The resulting premium liability is the higher of these two. In estimating the unexpired risk liability, assumptions are made on the expected ultimate loss ratio for each class of business and management expenses incurred whilst these policies remain exposed for claims.

3.29.5.6 Deferred acquisition costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

Deferred acquisition expenses represent commission and franchise fees which vary with and are directly related to the production of business. Commission expenses are deferred and charged over the period in which the related premiums are earned, on 1/365 basis.

3.29.5.7 Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31st December. Claims outstanding are assessed by reviewing the individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of claims Incurred But Not Reported (IBNR) is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis. Whilst the Directors consider that the provision for claims related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such adjustments are reflected in the Financial Statements for that period. The methods used, and the estimates made, are reviewed regularly

3.29.5.8 Valuation of insurance provision-general insurance reserve for outstanding claims including IBNR

Methodology for claim liability

Central estimate

The central estimate of the net claim liability has been determined based upon the gross analysis performed for the company as at 31st december 2013, whereby a full review of the loss development factors on a gross basis is performed. Various gross-to-net ratios are compared, and the net claim liability is determined by applying a factor to the gross claim liability.

Since the net analysis is based on the gross analysis, any change in the gross results will subsequently affect the results in this net valuation.

The central estimate is then adjusted by the same provision as the gross analysis to allow for Claims Handling Expenses (CHE) such as fees for loss adjustment, and the annual salary and related overhead costs of the claims department.

75% Confidence level estimate

The volatility of the central estimate of claims reserves are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the net claim liability on 75% confidence level, we have adopted the Prudential Reserve for Adverse Development (PRAD) and Fund Prudential Reserve for Adverse Development (FPRAD) risk margins that were derived in the gross analysis as at 31st December 2013, which were based on a stochastic chain ladder approach.

Calculation of discounted claim liability

The discounted claim liability is calculated as the current value of the projected future claim payments for each class of business.

The claim liability is discounted on the same basis as the gross numbers. These are based upon the Government Securities spot rates from the Central Bank of Sri Lanka and the modelled payment patterns.

Methodology for estimate of premium liability

Central estimate

For the central estimate of the premium liability, acuary developed a trended ultimate loss ratio for each class to compute the central estimate of the Unexpired Risk Reserve (URR). A provision, which is the same value as

per the gross analysis, was added to the central estimate of the URR to account for CHE and a further provision, based on the Unearned Premium Reserve (UPR), has been retained to cover future management expenses. The adjusted loss ratios are finally applied to the UPR that the company currently holds to derive the central estimate of the URR.

75% Confidence level estimate

The central estimates of the URRs are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the URR at the 75% confidence level, actuaries multiply the central estimate of the URR with an adjustment factor for each line of business. The adjustment factor is determined at a class level as well as at an aggregate level, and takes into account the observed relationship between the current estimate of an accident period's ULR and the trended ULR. The diversification is determined by comparing the sum of adjustment factors by line of business and the adjustment factor at the aggregate level.

3.29.6 Life insurance business

3.29.6.1 Gross written premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.29.6.2 Reinsurance premium reinsurance premium expense is accrued on active policies on a monthly basis. Reinsurance recoveries are credited to match the relevant gross claims.

3.29.6.3 Benefits, losses and expenses

Expenses relate to the acquisition and maintenance of long term insurance business. Claims by death or maturity are charged against revenue on notification of death or on expiry of the term. Claims payable includes direct cost of settlement. Interim payments and surrenders are accounted for at the time of settlement.

3.29.6.4 Actuarial valuation for long term insurance provision

The Directors determine the long term insurance business provisions for the company on the recommendation of the actuary, following his annual investigation of the life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the reporting actuary.

3.29.6.5 Life insurance contract liabilities

Life insurance liabilities are recognised when the contracts are entered into and premiums are charged. These liabilities are calculated via the net premium method for protection products, the unit fund plus sterling reserve method for Unit-linked products and a modified gross premium method for conventional products. For the net premium method the liability is calculated as the discounted value of the future benefits that are directly related to the contract, less the discounted value of the theoretical premiums that would be required to meet those future benefits based on the valuation assumptions. For the sterling reserve method all contract-related cash flows are projected using best estimate assumptions (but with valuation claim rates) and additional liabilities are set up in the event that contracts are not self-financing. For the modified gross premium method the investment account is the starting point and in addition to that a liability may be held on account of future cash flows shortfalls. This second component is calculated exactly as per the sterling reserve above.

3.29.6.6 Valuation of insurance provision -life insurance contract liabilities

Methodology

Actuaries have adopted the net premium valuation methodology for calculating the provisions for majority of the products and riders (all except those mentioned below), as required by the extant regulations, by valuing individual policy records. For regular premiums products, an allowance for recovery of initial expenses through loadings in the renewal premium has been allowed for in the provisions by using minimum of the Zillmer and Sprague adjustments as prescribed in the regulations. Besides limiting the calculated net premium to be maximum of 90% of the policy premium to ensure a minimum 10% allowance to cover future expenses and commissions at the policy level. Actuaries have checked that this implicit allowance made for expenses and commissions through a reduction in the future premium income in the net premium methodology is sufficient to cover the projected expenses and commissions for regular premium products at the product level. For single premium products, an explicit additional provision has been calculated to cover future maintenance expenses at the policy level.

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Statutory provisions have been set equal to the unearned premium reserves (UPR) for the base products corporate life & migrant workers, and the ADB, TPD due to accident and PPD riders.

For the dividend based fund accumulation products, life protect, life protect plus, pension plan and child plan, provisions have been set equal to the fund value plus an expense provision, where the expenses provision has been set equal to any excess of expected future outgo over future income on he prudent basis calculated at the policy level.

The calculated provisions were floored at zero at the individual policy level, i.e. negative provisions have not been allowed for any policy.

The calculated provisions for each individual policy is note less than the applicable surrender value as on valuation date, as no surrender value is currently applicable for any of the in-force policies. Majority of the products are protection based which do not offer any surrender value. Surrender value on the savings products is payable only after the third policy year with none of the in-force policies having exceeded that duration.

Assumptions

The following reserving assumptions have been used for the purpose of the annual statutory valuation as at December 2013;

- Mortality rates

  110% of A67/70 (Ultimate) table has been used as the reserving assumptions.

- Rates for benefits other than mortality

  110% of the applicable reinsurance premium rates provided by reinsurer, made available to actuaries at the time of pricing the various riders attaching to the dividend based fund accumulation products.

- Lapses

  No lapses have been assumed for prudence, except for dividend based fund accumulation products, where lapses equal to 50% of the best estimate pricing assumption have been used for the calculation of the expense provision. The lapse rates assumed for pricing the dividend based products are tabulated below;

Policy year	Lapse rates
1	30%
2	15%
3	10%
4	5%
5	5%
6-10	5%
11+	2.5%

- Investment return

  The assumed investment returns are as prescribed by the regulations for life insurers with less than three years of operations. The following table summarises the annual investment returns assumed for different classes of business and premium payment options;

Business class (premium payment option)	Investment return
Participating (regular premium)	5.0%
Non-participating (regular premium)	6.5%
Non-participating (single premium)	8.0%

- Expenses inflation

  Real annual investment returns have been assumed to be 1.0%, based on which expense inflation has been set to be 1.0% lower than the assumed annual investment returns tabulated above.

- Expense assumptions

  The reserving expense assumptions have been set out in the table below. For group products these represent the expense assumption applicable to each policy and not the scheme.

Type of expense	Expense assumption
Fixed per annum	LKR 220
% of provisions	0.275%
% of renewal premium*	2.750%
Regular commission*	Commission rates as per the pricing certificates of respective products
*Applicable only for regular premium products	

- Loan repayment rate

  Mortgage reduction plan (MRP) and Divisaviya are reducing terms assurance plans to cover the outstanding loan liability of the policyholder. However, the policy data for theses products does not contain the loan repayment rate applicable for individual policies. Actuaries have used an average loan repayment rate of 28% of 12% per annum for the MRP and Divisaviya product respectively. These have been estimated based on the original sum assured, sum assured as at valuation date and issue date information present in the policy data.

3.30 Plantation sector

3.30.1 Agricultural activities

The Group considers all the activities that are managed in biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological asset.

3.30.2 Biological assets

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, Rubber, Coconut, Timber, Other plantations and nurseries are classified as biological assets.

The biological assets are further classified as bearer biological assets and consumables biological assets. Bearer biological assets includes tea, rubber and coconut trees, those that are not intended to be sold or harvested, however, used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber own by the company (Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Rubber, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of timber trees) those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.30.3 Bearer biological assets

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – “Property, Plant & Equipment”.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

The Group recognises tea, rubber, coconut and mixed crop, at cost in accordance with the new ruling provide the option to measure bearer biological assets using LKAS16 – Property, Plant and Equipment.

3.30.4 Limited life land development cost on bearer biological assets at cost (new/re-planting)

The total cost of land preparation, rehabilitation, new planting, re-planting, crop diversification, inter-planting and fertilizing, incurred between the time of planting and harvesting (When the planted area attains maturity) are recognised as initial cost for capitalisation. These immature plantations are shown at direct costs plus

Notes to the Financial Statements

attributed overheads, including interest attributable to long-term loans used for financing immature plantations. Attributable overheads incurred on the plantation are apportioned based on the labour days spent on respective re-planting and new planting and capitalised on the immature areas. The remaining non-attributable overhead is expensed in the accounting period in which it is incurred.

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognised as an expense when incurred.

The expenditure incurred on perennial crop (Tea/Rubber/ Coconut) fields, which come into bearing during the year, has been transferred to mature plantations and depreciated over their useful life period. These mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less. No depreciation is provided for immature plantations.

3.30.5 Infilling costs

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, in accordance with Sri Lanka Accounting Standard - 16 and depreciated over the useful life at rates applicable to mature plantation. These rates are re-evaluated annually.

Infilling cost that are not capitalised have been charged to the statement of profit or loss in the year in which they are incurred.

3.30.6 Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.30.7 Useful life of bearer biological assets

The estimated useful lives for the current and comparative years are as follows;

Tea	30-33 1/3 years
Rubber	20 years
Coconut	50 years
Cardamom / Cinnamon	15 years

3.30.8 Consumable biological assets

Trees namely teak, mahogany, Nadun, mango, Albezzia, Wal del, and etc. are considered as consumable biological assets and measured in accordance with LKAS 41- Agriculture. The initial costs incurred in planting such trees are capitalised until the market determined prices or values are not available and for which alternative estimates of fair value are to be clearly unreliable. Once the fair value of such a biological asset becomes reliably measurable, the group measures it at its fair value less costs to sell. The change in fair values will be directly identified in statement of profit or loss.

The Group has engaged an Independent Chartered Valuation Surveyor Mr. K.T.D. Tissera in determining the fair value of managed Timber Plantation. The valuer has valued the Timber Plantation per tree valuation basis by using available log prices in city centers less point-of-sale-costs. The timber plants having less than three years old have not been taken in to the valuation and hence, the cost of such plants has been added to the valuation. All other assumptions are given in Note No. 28. The Group measures the Timber Plantation at fair value less estimated-point-of-sale-costs as at each date of Statement of Financial Position. The gain or loss on changes in fair value of Timber Plantation is recognised in the statement of profit or loss

- Growing crop nurseries

  Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.30.9 Permanent land development costs

Permanent land development costs are those costs incurred making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

3.30.10 Leasehold rights to bare land of JEDB/SLSPC estate assets and immovable (JEDB/SLSPC) estates assets on finance lease

The institute of Chartered Accountants of Sri Lanka has issued a statement of recommended practice (SORP) with effect from 01st January, 2012) for right – to - use of land on lease on 19th December, 2012. Since the SORP issued by the ICASL has not been finalised, the company have not compiled with the SORP issued by the Institute of Chartered Accountants of Sri Lanka.

As the current practice, the company followed the "urgent issue task force" (UITF) ruling issued prior to 01st January, 2012 which has been superseded by the Sri Lanka Accounting framework with effect from 01st January, 2012.

3.30.11 Amortisation

The Right-to-use of land on lease is amortised over the remaining lease term of such asset or over the useful life of the underlying asset if shorter. Leasehold rights are tested for impairment annually and are written down where applicable. The impairment loss, if any, is recognised in the statement of profit or loss.

Amortisation rates used for the purpose are as follows:

Company	No. of years	Rate %
Bare land	53	1.89
Improvement to lands	30	3.33
Mature plantations	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Crop diversification	30	3.33
Water and sanitation	20	5.00
Other vested assets	30	3.33
Permanent land development	53	1.89

3.30.12 Liability to make lease rentals

The liability to make the rentals to the lessor is recognised on amortised cost using effective interest rate method. The finance cost is recognised in the statement of profit or loss under finance cost using effective interest rate method.

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4 Gross income

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Interest income	4.1	38,654,652	27,774,990	1,883,911	988,486
Revenue	4.2	20,228,126	10,728,830	-	-
Income	4.3	6,751,926	4,752,194	71,158	57,752
Other income	5.1	1,130,344	1,329,591	2,876,481	1,868,138
Total		66,765,048	44,585,605	4,831,550	2,914,376

4.1 Interest income

Leasing interest income		10,133,166	8,752,041	-	-
Hire purchases interest income		31,917	160,545	-	-
Interest income on deposits		164,690	129,496	-	2,075
Advances and other loans interest income		24,027,100	15,456,783	1,729,767	662,223
Operating lease and hire rental income		167,039	274,835	116,458	257,324
Overdue interest income		1,607,967	1,665,755	37,686	66,864
Debt factoring income		2,522,773	1,335,535	-	-
		38,654,652	27,774,990	1,883,911	988,486

4.2 Revenue

Sectorial revenue					
Manufacturing		586,658	280,901	-	-
Trading		11,833,841	8,112,950	-	-
Exports		7,605	23,088	-	-
Hotelier		1,381,158	1,058,318	-	-
Service providing		402,005	515,259	-	-
Plantation		5,032,773	-	-	-
Travel & Tours		589,306	353,096	-	-
Construction		227,505	385,218	-	-
Hydro-power generation		167,275	-	-	-
		20,228,126	10,728,830	-	-

4.3 Income

Securities trading income		41,398	80,848	-	-
Earned premium on insurance contracts		3,800,558	2,563,834	-	-
Rentals & sales proceeds - contracts written off		1,041,613	455,179	70,673	37,331
Transfer fees and profit on termination		1,283,455	1,110,740	480	271
Arrangement / documentation fee & other		581,408	515,292	5	-
Other operational income		3,494	26,301	-	20,150
Total		6,751,926	4,752,194	71,158	57,752

5 Other income/(expenses)

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
5.1 Other income					
Rental income		-	-	3,000	5,745
Royalty income		-	-	316,655	68,877
Dividends income		-	-	287,397	191,633
Franchise fees		-	-	161,603	123,651
Insurance policy fees		50,067	45,415	-	-
Treasury handling charges		-	-	969,738	613,195
Restructuring and arrangement charges		-	-	633,472	70,000
Asset hire income		-	-	237,165	237,165
Guarantee fee income		-	-	84,027	42,358
Advisory charges		-	-	-	183,000
Interest received from government securities & other interest earning assets	5.1.1	1,809,205	1,550,099	5,625	1,577
Debenture interest income		200	496	-	-
Gain / (loss) on disposal of quoted and non-quoted shares		130,108	105,927	(1,654)	(49,402)
Gain on disposal of property, plant and equipment		135,156	311,484	116,939	93,287
Change in fair value of investment properties	27	135,120	152,182	9,000	12,500
Gain / (loss) on change in fair value of consumer biological assets	28.1	(194,354)	-	-	-
Gain on sale of treasury bonds		8,479	6,748	-	-
Foreign exchange gain / (loss)		(80,402)	6,536	51,496	(1,769)
Change in fair value of derivatives - forward contracts		108,825	(60,242)	-	-
Appreciation / (fall) in value of investments		(99,615)	104,977	(89,959)	71,453
Amortisation of deferred income	42	34,610	11,390	-	-
Penalty and early settlement interests		81,071	55,392	-	-
Sale of rubber trees and firewoods		77,621	-	-	-
Sundry income		182,206	136,875	91,977	204,868
Finance cost relating to non-financial sectors		(1,247,953)	(1,097,688)	-	-
Total		1,130,344	1,329,591	2,876,481	1,868,138

5.1.1 Credit for withholding tax on government securities on secondary market transactions

Section 137 of the Inland Revenue Act No 10 of 2006 provides that a Company which derives interest income from the secondary market transactions in Government securities be entitled to a notional tax credit (being one ninth of the net Interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

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6 Interest expenses

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Finance costs on;					
Customer deposits		5,952,546	5,392,179	-	-
Commercial papers and promissory notes		449,139	168,791	448,609	156,784
Overdraft and other short-term borrowings		3,668,771	1,552,781	1,552,437	709,422
Long term borrowings		7,027,171	3,587,160	681,570	184,875
Finance leases		166,199	213,004	24,394	39,356
Debenture interests		823,932	587,508	483,350	587,509
Swap costs		762,634	1,006,947	693	8,332
		18,850,392	12,508,370	3,191,053	1,686,278

7 Direct expenses excluding finance expenses

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Value Added Tax (VAT) on leases/general expenses and VAT on financial services		1,299,682	715,384	56,571	11,187
Nation Building Tax (NBT), debits tax and others		206,946	128,230	6,806	2,116
Reinsurance premium		543,917	748,324	-	-
Insurance benefits, losses and expenses		1,469,912	901,112	-	-
Increase in long term insurance fund		841,046	466,282	-	-
Insurance expenses		802,137	183,484	-	-
		5,163,640	3,142,816	63,377	13,303

8 Personnel expenses

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Salaries, wages and other benefits		9,112,182	4,571,856	32,825	28,970
Contribution to EPF/CCPS/ESPS		769,119	256,100	88,674	78,424
Contribution to ETF		76,508	59,999	20,039	17,475
Post-employment defined benefit plans cost	43.1	351,302	82,331	33,917	30,527
		10,309,111	4,970,286	175,455	155,396

9 Net impairment loss on financial assets

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Net impairment loss / (reversal) on;					
Finance lease receivables	20.1.5				
Allowance for individually significant impairment		307,510	110,590	-	-
Allowance for individually non-significant impairment		540,982	1,434,902	-	-
Hire purchase receivables	20.2.5				
Allowance for individually significant impairment		35,528	9,766	-	-
Allowance for individually non-significant impairment		(18,035)	84,049	-	76
Operating lease receivables	20.3.1				
Allowance for individually non-significant impairment		(2,497)	(2,514)	(2,497)	(2,514)
Advances and loans	21.1.1				
Allowance for individually significant impairment		297,133	(38,111)	3,166	-
Allowance for individually non-significant impairment		268,881	1,516,963	(2,064)	(13,155)
Factoring receivables	21.2.1				
Allowance for individually significant impairment		572,570	216,509	-	-
Allowance for individually non-significant impairment		270,069	32,215	-	-
Pawning advances	21.3.1				
Allowance for individually non-significant impairment		16,967	183,586	-	-
Bad debts written off net of reversals		688,953	586,022	(416)	(542)
Total		2,978,061	4,133,977	(1,811)	(16,135)

10 Depreciation and amortisation

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Amortisation of prepaid lease rentals	26	8,964	4,552	-	-
Amortisation of intangible assets	34.5	145,384	159,368	67,089	42,007
Depreciation of property, plant and equipment	35	1,258,071	903,258	293,658	264,717
Amortisation of bearer biological assets	29.1	165,427	-	-	-
		1,577,846	1,067,178	360,747	306,724

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11 Other operating expenses

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Administration cost		3,658,473	2,773,895	64,705	42,943
Operating and marketing cost		2,811,960	3,198,606	143,089	209,733
Allowance for impairment of group investments	11.1	-	-	3	57,930
		6,470,433	5,972,501	207,797	310,606

11.1 Allowance for impairment of group investments

An impairment test is carried out by the management for group investment on an annual basis as per the requirement of respective Sri Lanka Accounting Standards. As per the impairment testing process carried out in 2015/16 , the following investments have been identified as impaired.

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Investment made in;	30.2.1				
Browns Hydro Power PLC		-	-	3	6,931
		-	-	3	6,931
Related party receivables from;	50.3.1.2				
United Dendro Energy (Private) Limited		-	-	-	42,727
Speed Italia Limited		-	-	-	8,272
		-	-	-	50,999
		-	-	3	57,930

12 Results from operating activities

Expenses are recognised in the statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the statement of profit or loss.

For the purpose of presentation of the income statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company's and Group's financial performance.

Results from operating activities are stated after charging all expenses including following:

For the year ended 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Directors' remuneration	50.1.1	359,577	342,503	212,832	201,517
Auditors' remuneration	12.1	39,630	28,156	3,995	2,992
Legal expenses		73,698	44,498	10,303	230
Secretarial fees		9,191	3,949	1,833	1,513
Professional fees		120,392	148,018	1,117	1,319
Deposit insurance premium		86,405	70,857	-	-
Advertising related expenses		609,721	477,503	15,003	23,413
Donations		7,037	21,296	2,156	659

12.1 Auditors' remuneration

Remuneration for					
Audit related services		28,664	26,442	3,080	2,800
Non-audit related services		10,966	1,714	915	192
		39,630	28,156	3,995	2,992

13 Results of equity accounted investees

For the year ended 31 March	Note	Group	
		2016 Rs.'000	2015 Rs.'000 Restated
13.1 Share of profits of equity accounted investees, net of tax			
Jointly controlled entities	31.1	-	6,316
Associates	32.6	3,094,237	2,073,905
		3,094,237	2,080,221

Notes to the Financial Statements

13 Results of equity accounted investees

13.2 Share of other comprehensive income of equity accounted investees (net of tax)

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000
Jointly controlled entities	31.1	-	(41,142)
Associates	32.6	147,842	(202,014)
		147,842	(243,156)
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods :			
Jointly controlled entities	31.1	-	-
Associates	32.6	(965,125)	125,797
		(965,125)	125,797
		(817,283)	(117,359)

14 Results on acquisition and divestment of group investments

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000 Restated
Seylan Bank PLC		-	39,613
Taprobane Holdings PLC	32.5	50,963	-
F L C Joint Venture (Private) Limited	57.1.3	-	498,525
		50,963	538,138

15 Income tax expense

The Company is liable for tax at the rate of 28% on its taxable income in accordance with the Inland Revenue Act No 10 of 2006 and subsequent amendments made thereto.

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

15.1 Major components of income tax expense are as follows:

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Current tax expense	15.3	2,232,739	1,562,759	85,112	22,995
Deferred tax expense	33.5	293,788	307,888	61,040	(68,403)
Income tax expense reported in profit or loss		2,526,527	1,870,647	146,152	(45,408)

15.2 Numerical reconciliation of accounting profits to income tax expense

Profit before income tax expense		11,857,914	8,169,301	834,932	458,204
(+)Disallowable expenses		23,530,625	25,210,724	725,970	694,834
(-)Allowable expenses		(20,797,708)	(19,867,433)	(634,763)	(653,872)
(-) Tax exempt income		(6,603,370)	(5,763,293)	(461,503)	(372,952)
(-) Allowable tax credits		(7,060)	(1,749,222)	-	-
(+)Tax losses incurred	15.6	1,422,038	1,708,350	-	129
(-)Tax losses utilised	15.6	(313,347)	(218,114)	(162,622)	(44,220)
(-) Consolidation adjustments		1,963,950	(99,019)	-	-
Taxable income		11,053,042	7,391,294	302,014	82,123
Income tax @					
28%		2,119,206	1,304,903	84,563	22,995
20%		24,153	169,943	-	-
12%		43,358	12,945	-	-
Total tax expense		2,186,717	1,487,791	84,563	22,995
Average tax rate		19.78%	20.13%	28.00%	28.00%

15.3 Current tax expense

Tax Expense	15.2	2,186,717	1,487,791	84,563	22,995
Under provision in respect of previous years		45,968	74,672	549	-
Deemed dividend tax paid		54	296	-	-
		2,232,739	1,562,759	85,112	22,995

Notes to the Financial Statements

15.4 Effective tax rate

For the year ended 31 March	Group		Company	
	2016 %	2015 %	2016 %	2015 %
	21.31	22.90	17.50	(9.91)

15.5 A reconciliation of effective tax rate is as follows;

For the year ended 31 March	Group			
	2016		2015	
	Rs. '000	%	Rs. '000	%
Accounting profit before income tax	11,857,914		8,169,301	
Income tax expense at the average statutory income tax rate	2,345,952	19.78%	1,644,396	20.13%
Disallowable expenses	4,949,051	41.74%	5,382,546	65.89%
Allowable expenses	(4,114,587)	(34.70%)	(3,999,109)	(48.95%)
Tax exempt income	(1,306,401)	(11.02%)	(1,160,091)	(14.20%)
Allowable tax credits	(1,397)	(0.01%)	(352,100)	(4.31%)
Tax losses incurred	281,334	2.37%	343,873	4.21%
Tax losses utilised	(61,992)	(0.52%)	(43,904)	(0.54%)
Consolidation adjustments	388,545	3.28%	(19,932)	(0.24%)
Under / (over) provision in respect of previous years	45,968	0.39%	74,672	0.91%
Deemed dividend tax paid	54	0.00%	296	0.00%
Current tax expense	2,526,527	21.31%	1,870,647	22.90%

For the year ended 31 March	Company			
	2016		2015	
	Rs. '000	%	Rs. '000	%
Accounting profit before income tax	834,932		458,204	
Income tax expense at the average statutory income tax rate	233,778	28.00%	128,300	28.00%
Disallowable expenses	264,309	31.66%	126,155	27.53%
Allowable expenses	(177,732)	(21.29%)	(183,089)	(39.96%)
Tax exempt income	(129,219)	(15.48%)	(104,429)	(22.79%)
Tax losses incurred	-	-	36	0.01%
Tax losses utilised	(45,534)	(5.45%)	(12,382)	(2.70%)
Current tax expense	146,152	17.50%	(45,408)	(9.91%)

15.6 Tax losses

For the year ended 31 March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Losses brought forward	11,952,130	9,651,229	1,096,099	1,201,388
Adjustments / acquisition of subsidiaries	16,881	810,665	-	(61,198)
Losses incurred	1,422,038	1,708,350	-	129
Losses utilised	(313,347)	(218,114)	(162,622)	(44,220)
Losses carried forward	13,077,702	11,952,130	933,477	1,096,099

15.7 Tax exemptions, concessions or holidays that have been granted

15.7.1 Income tax concessions of local subsidiaries

Maturata Plantations Limited and Pussellawa Plantations Limited

In terms of Section 48A - 14A of the Inland Revenue (Amendment) Act No.22 of 2011, "Specified Profit" from agricultural undertaking would be liable for income tax at the rate of 10%.

LOLC Leisure sector companies

All leisure sector companies are taxed at the rate of 12%.

Other miscellaneous concessions

Exemption on interest income earned from foreign currency denominated accounts. Capital gains from sale of shares is excluded from chargeability to income tax. Income/profits from offshore dividends and interest is exempt from income tax.

15.7.2 Income tax concessions of off-shore subsidiaries

LOLC Myanmar Micro-Finance Company Limited - LMML

LMML is incorporated and domiciled in the Myanmar where the applicable corporate tax rate is 25%.

LOLC Cambodia PLC - TPC

TPC is incorporated and domiciled in Cambodia where the applicable corporate tax rate is 20%.

15.8 Income tax recognised in other comprehensive income

For the year ended 31 March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Tax (benefit) / expense on;				
Revaluation of property, plant and equipment	137,435	(2,265)	-	-
Re-measurement of defined benefit liabilities	40,655	(78)	-	-
	71,299	-	-	-
	249,389	(2,343)	-	-

Notes to the Financial Statements

16 Earnings per share

16.1 Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows;

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Profit attributable to equity holders of the company		8,518,690	5,404,783	688,780	503,612
Weighted average number of ordinary shares	16.2	475,200	475,200	475,200	475,200
Basic earnings per share (Rs.)		17.93	11.37	1.45	1.06

16.2 Weighted average number of ordinary shares

For the year ended 31 March	Group 2016 Rs. '000	Group 2015 Rs.'000	Company 2016 Rs. '000	Company 2015 Rs.'000
Balance as at 01 April	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance as at 31 March	475,200	475,200	475,200	475,200

16.3 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year or previous year. Therefore, not presented.

17 Cash and cash equivalents as per cash flow statement

17.1 Cash in hand and favourable bank balances

As at 31 March	Group 2016 Rs. '000	Group 2015 Rs.'000	Company 2016 Rs. '000	Company 2015 Rs.'000
Cash in hand	1,530,286	597,397	3,820	4,036
Balances at banks	10,453,438	7,329,816	35,383	223,531
Other Instruments	1,742,070	7,177	24,204	2,143
	13,725,794	7,934,390	63,407	229,710

17.2 Unfavourable bank balances used for cash management purposes

As at 31 March	Group		Company	
	2016 Rs. '000	2015 Rs.'000	2016 Rs. '000	2015 Rs.'000
Bank overdrafts	(9,302,310)	(6,118,548)	(3,354,589)	(354,777)
Net cash and cash equivalents as in cash flow statement	4,423,484	1,815,842	(3,291,182)	(125,067)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits and other instruments are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 49 for further details.

18 Trading assets - fair value through profit or loss

As at 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Debt securities					
Unit trusts	18.1	1,010,003	264,492	-	-
Government securities	18.2	4,144	3,052	-	-
		1,014,147	267,544	-	-
Equity securities	18.3	617,258	757,052	418,424	514,556
Derivative assets held for risk management	18.4	766,142	81,845	1,702	-
		2,397,547	1,106,441	420,126	514,556

18.1 Unit trusts

As at 31 March	Group					
	2016			2015		
	No. of units	Cost Rs. '000	Fair value Rs. '000	No. of units	Cost Rs. '000	Fair value Rs. '000
Investments in unit trusts	76,622,128	1,000,000	1,010,003	24,119,760	250,000	264,492
		1,000,000	1,010,003		250,000	264,492

Notes to the Financial Statements

18.2 Government securities

As at 31 March	Group			
	2016		2015	
	Cost Rs. '000	Fair value Rs.'000	Cost Rs. '000	Fair value Rs.'000
Investments in treasury bills and bonds	4,533	4,144	3,049	3,052
	4,533	4,144	3,049	3,052

18.3 Equity securities

As at 31 March	Company					
	2016			2015		
	No. of shares	Cost Rs. '000	Fair value Rs. '000	No. of shares	Cost Rs. '000	Fair value Rs. '000
Manufacturing						
Acme Printing & Packaging PLC	25,876	602	137	25,876	602	223
Chemical & Pharmaceuticals						
Chemanex PLC	604	81	38	604	81	45
Diversified Holdings						
Hayleys PLC	1,700,000	667,518	417,690	1,700,000	667,518	510,000
Power & Energy						
Laugfs Gas PLC	500	28	18	500	28	18
Trading						
Radiant Gems International PLC	19,392	1,370	541	106,753	7,542	4,270
		669,599	418,424		675,771	514,556

As at 31 March	Group					
	2016			2015		
	No. of shares	Cost Rs. '000	Fair value Rs. '000	No. of shares	Cost Rs. '000	Fair value Rs. '000
Manufacturing						
Acme Printing & Packaging PLC	25,876	602	137	25,876	602	223
Land & Property						
C T Land Development PLC	19,500	470	887	19,500	470	683
Cargo Boat Development Company PLC	-	-	-	300	10	36
Overseas Realty (Ceylon) PLC	113,680	1,665	2,660	113,680	1,665	2,671
Chemical & Pharmaceuticals						
Chemanex PLC	604	81	38	604	81	45
Construction & Engineering						
Colombo Dockyard PLC	4,315	86	466	4,315	86	714
Banking, Finance & Insurance						
DFCC Bank PLC	38	-	5	38	-	8
Nation Lanka Finance PLC	181,327	920	181	181,327	920	798
Hatton National Bank PLC	-	-	-	152	7	34
Diversified Holdings						
Expolanka Holdings PLC	1,000,000	18,000	7,000	1,000,000	18,000	8,500
Hayleys PLC	2,434,144	884,362	605,122	2,462,744	895,632	738,855
John Keells Holdings PLC	329	26	49	329	26	64
Power & Energy						
Laugfs Gas PLC	500	28	18	500	28	18
Plantations						
Malwatte Valley Plantations PLC	500	11	2	500	11	2
Trading						
Radiant Gems International PLC	19,392	1,370	541	106,753	7,542	4,270
Motors						
Lanka Ashok Leyland PLC	100	293	151	100	293	130
Investment Trust						
Lanka Century Investments PLC	100	-	1	100	-	1
		907,915	617,258		925,373	757,052

Notes to the Financial Statements

18.4 Derivative assets held for risk management

As at 31 March	Group		Company	
	2016 Rs. '000	2015 Rs. '000	2016 Rs. '000	2015 Rs. '000
Forward rate contracts	766,142	81,845	1,702	-

Headge accounting

The Group entered in to forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loan. The forward contract is designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loans.

Details	Description of the hegde
Hedge instruments	Forward foreign exchange contracts
Hedge items	Foreign currency denominated borrowings

The fair value of derivatives designated as cash flow hedges are as follows:

	2016		2015	
As at 31 March Instrument type:	Assets Rs. '000	Liabilities Rs. '000	Assets Rs. '000	Liabilities Rs. '000
Group				
Forward rate contracts	766,142	17,859	79,105	442,772
Notional amount	19,374,942	374,000	382,000	14,040,375
Company				
Forward rate contracts	1,702	-	-	1,203
Notional amount	-	-	-	-

The maturity analysis of cash flows of the hedge item is given below.

	Up to 3 months Rs. '000	4 to 12 months Rs.'000	1 to 5 years Rs. '000	Total Rs.'000
Forecasted payable cash flows				
As at 31 March 2016				
Group	3,320,614	9,902,917	8,602,346	21,825,877
Company	-	-	-	-
As at 31 March 2015				
Group	2,924,210	8,772,631	6,917,406	18,614,248
Company	-	-	-	-

19 Investment securities

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Available-for-sale investment securities	19.1	11,092,834	5,927,826	480,533	582,464
Loans & receivables	19.2	49,858,606	12,374,437	204,010	99,506
		60,951,440	18,302,263	684,543	681,970

19.1 Available-for-sale investment securities

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Government securities	19.1.1	6,496,262	5,282,307	-	-
Designated available-for-sale investment securities	19.1.2	4,525,156	582,464	480,533	582,464
Equity securities with readily determinable fair values	19.1.3	3,321	3,999	-	-
Unquoted equity securities	19.1.4	68,095	59,056	-	-
		11,092,834	5,927,826	480,533	582,464

19.1.1 Government securities

As at 31 March	Group 2016 Cost Rs. '000	Group 2016 Fair value Rs.'000	Group 2015 Cost Rs. '000	Group 2015 Fair value Rs.'000
Investments in treasury bills	28,246	28,696	1,002,459	1,004,849
Investments in treasury bonds	6,644,024	6,467,566	4,167,862	4,277,458
	6,672,270	6,496,262	5,170,321	5,282,307

Notes to the Financial Statements

19.1.2 Designated available-for-sale investment securities

The Group designated certain investments in equity securities as fair value through other comprehensive income as listed below. These investments were classified as available-for-sale. This designation was chosen as the investments are expected to be held for the long-term for strategic purposes.

	Group					
	2016			2015		
As at 31 March	No. of shares	Cost Rs. '000	Fair value Rs. '000	No. of shares	Cost Rs. '000	Fair value Rs. '000
Banking, Finance & Insurance						
The Housing Development and Finance PLC	9,707,740	451,700	480,533	9,707,740	451,700	582,464
Money market funds						
CAL high yield fund	99,969,343	1,500,000	1,526,172	-	-	-
First capital wealth fund	413,627	500,000	490,123	-	-	-
First Capital money market fund	462,877	500,000	508,397	-	-	-
NDB wealth money plus fund	105,229,927	1,500,000	1,519,931	-	-	-
		4,451,700	4,525,156		451,700	582,464

	Company					
	2016			2015		
As at 31 March	No. of shares	Cost Rs. '000	Fair value Rs. '000	No. of shares	Cost Rs. '000	Fair value Rs. '000
The Housing Development and Finance PLC	9,707,740	451,700	480,533	9,707,740	451,700	582,464
		451,700	480,533		451,700	582,464

19.1.3 Equity securities with readily determinable fair values

As at 31 March	Group					
	2016			2015		
	No. of shares	Cost Rs. '000	Fair value Rs. '000	No. of shares	Cost Rs. '000	Fair value Rs. '000
Banking, Finance & Insurance						
DFCC Bank PLC	3,810	375	522	3,810	375	773
Hatton National Bank PLC	-	-	-	2,026	52	454
Vallibel Finance PLC	33,900	497	1,820	33,900	497	1,523
Beverage Food & Tobacco						
Distilleries Company of Sri Lanka PLC	-	-	-	338	3	23
Raigam Wayamba Salterns PLC	26,200	66	52	26,200	66	71
Plantations						
Hapugastenne Plantations PLC	100	1	2	100	1	3
Power & Energy						
Lanka IOC PLC	27,800	751	904	27,800	751	1,122
Manufacturing						
Sierra Cables PLC	7,400	22	21	7,400	22	30
		1,712	3,321		1,767	3,999

Notes to the Financial Statements

19.1.4 Unquoted equity securities

As at 31 March	Group 2016 No. of shares	Group 2016 Cost Rs. '000	Group 2016 Fair value Rs. '000	Group 2015 No. of shares	Group 2015 Cost Rs. '000	Group 2015 Fair value Rs. '000
Badulla Transport & Agency Company (Private) Limited	10,000	100	-	10,000	100	-
Ceylon Studios Limited	500	5	-	500	5	5
Ceylon Marine & Travel Services (Private) Limited	5,200	31	-	5,200	31	-
Credit Information Beuarue Limited	20,210	758	558	20,100	747	547
Confifi Trading (Private) Limited	39,100	391	1,865	39,100	391	1,762
Equity Investments Lanka Limited	16,875	173	169	16,985	184	180
Indo Lanka Steel Limited	200,000	6,000	-	200,000	6,000	-
Lanka Glass Manufacturing Limited	3,000,000	3,000	-	3,000,000	3,000	-
Magpek Exports Limited	250,000	1,000	-	250,000	1,000	-
Rain Forest Eco Lodge (Private) Limited	6,483,375	56,665	42,166	6,483,375	56,665	43,262
Lanka Century Investments PLC (Preference Shares)	18,616	37	37	-	-	-
Digital Mobility (Private) Limited	1,154	23,300	23,300	100	13,300	13,300
Finance Houses Consortium (Private) Limited	20,000	200	-	20,000	200	-
		91,660	68,095		81,623	59,056

As at 31 March	Company 2016 No. of shares	Company 2016 Cost Rs. '000	Company 2016 Fair value Rs. '000	Company 2015 No. of shares	Company 2015 Cost Rs. '000	Company 2015 Fair value Rs. '000
Indo Lanka Steel Limited	200,000	6,000	-	200,000	6,000	-
Lanka Glass Manufacturing Limited	3,000,000	3,000	-	3,000,000	3,000	-
Magpek Exports Limited	250,000	1,000	-	250,000	1,000	-
		10,000	-		10,000	-

Fair value of the investments are valued using price to book value market multiples at the reporting date.

19.2 Loans & receivables

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Government securities	19.2.1	14,762,244	6,608,577	-	-
Investments in term deposits		35,096,362	5,765,860	204,010	99,506
		49,858,606	12,374,437	204,010	99,506

19.2.1 Government securities

As at 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000
Investments in treasury bills	4,836	-
Reverse repo instruments	14,757,408	6,608,577
	14,762,244	6,608,577

When the group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the group's financial statements.

Notes to the Financial Statements

20 Finance lease receivables, hire purchases and operating leases

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Finance lease receivables	20.1	51,598,699	41,005,505	-	-
Hire purchase receivables	20.2	59,129	328,186	-	-
Operating lease receivables	20.3	8,920	1,684	8,920	1,684
		51,666,748	41,335,375	8,920	1,684

20.1 Finance lease receivables

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Receivables within one year	20.1.1	15,556,055	18,198,062	-	-
Receivable from one to five years	20.1.2	35,631,360	22,675,695	-	-
Overdue rental receivable	20.1.3	1,235,193	1,186,347	-	-
Allowance for impairment	20.1.5	(823,909)	(1,054,599)	-	-
		51,598,699	41,005,505	-	-

20.1.1 Receivables within one year

Gross rentals receivable		24,231,088	25,871,921	-	-
Unearned finance income		(8,675,033)	(7,673,859)	-	-
		15,556,055	18,198,062	-	-

20.1.2 Receivable from one to five years

Gross rentals receivable		52,195,034	36,025,563	-	-
Unearned finance income		(9,628,687)	(8,085,980)	-	-
Prepayments received from lessees		(6,934,987)	(5,263,888)	-	-
		35,631,360	22,675,695	-	-

20.1.3 Overdue rental receivable

Gross rentals receivable		1,405,851	1,366,906	-	-
Unearned finance income		(170,658)	(180,559)	-	-
		1,235,193	1,186,347	-	-

20.1.4 Total finance lease receivables

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Gross rentals receivable		77,831,973	63,264,390	-	-
Unearned finance income		(18,474,378)	(15,940,398)	-	-
Net investments in finance leases		59,357,595	47,323,992	-	-
Allowance for impairment	20.1.5	(823,909)	(1,054,599)	-	-
Prepayments received from lessees	20.1.2	(6,934,987)	(5,263,888)	-	-
Balance as at 31 March		51,598,699	41,005,505	-	-

20.1.5 Allowance for impairment

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	257,276	146,686	-	-
Charged for the year	307,510	110,590	-	-
Write offs & other movements	10,601	-	-	-
Balance as at 31 March	575,387	257,276	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	797,323	1,223,352	-	-
Charged for the year	540,982	1,434,902	-	-
Write offs & other movements	(1,089,783)	(1,860,931)	-	-
Balance as at 31 March	248,522	797,323	-	-
Total allowances for impairment	823,909	1,054,599	-	-

Notes to the Financial Statements

20.2 Hire purchase receivables

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Receivables within one year	20.2.1	63,975	247,038	-	-
Receivable from one to five years	20.2.2	18,403	80,758	-	-
Overdue rental receivable	20.2.3	31,111	49,509	80	80
Allowance for impairment	20.2.5	(54,360)	(49,119)	(80)	(80)
		59,129	328,186	-	-

20.2.1 Receivables within one year

Gross rentals receivable		66,224	274,383	-	-
Unearned finance income		(2,249)	(27,345)	-	-
		63,975	247,038	-	-

20.2.2 Receivable from one to five years

Gross rentals receivable		21,898	100,358	-	-
Unearned finance income		(3,495)	(19,600)	-	-
		18,403	80,758	-	-

20.2.3 Overdue rental receivable

Gross rentals receivable		31,184	49,748	80	80
Unearned finance income		(73)	(239)	-	-
		31,111	49,509	80	80

20.2.4 Total rentals receivable on hire purchase

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Gross rentals receivable		119,306	424,489	80	80
Unearned finance income		(5,817)	(47,184)	-	-
Net investments in finance		113,489	377,305	80	80
Allowance for impairment	20.2.5	(54,360)	(49,119)	(80)	(80)
Balance as at 31 March		59,129	328,186	-	-

20.2.5 Allowance for impairment

For the year ended 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	13,578	-	-	-
Acquisition of subsidiaries	-	3,812	-	-
Charge for the year	35,528	9,766	-	-
Write offs	(4,456)	-	-	-
Write offs & other movements	(12,055)	-	-	-
Balance as at 31 March	32,595	13,578	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	35,541	141,353	80	4
Acquisition of subsidiaries	-	2,913	-	-
Charge / (reversal) for the year	(18,035)	84,049	-	76
Write offs	(7,716)	(192,774)	-	-
Write offs & other movements	11,975	-	-	-
Balance as at 31 March	21,765	35,541	80	80
Total allowances for impairment	54,360	49,119	80	80

20.3 Operating lease receivables

As at 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Gross rentals receivable		565,603	579,992	565,603	579,992
Unearned finance income		(541,589)	(560,717)	(541,589)	(560,717)
Allowance for impairment	20.3.1	(15,094)	(17,591)	(15,094)	(17,591)
Balance as at 31 March		8,920	1,684	8,920	1,684

20.3.1 Allowance for impairment

For the year ended 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Allowance for individually non-significant impairment				
Balance as at 01 April	17,591	20,105	17,591	20,105
Charge / (reversal) for the year	(2,497)	(2,514)	(2,497)	(2,514)
Balance as at 31 March	15,094	17,591	15,094	17,591
Total allowances for impairment	15,094	17,591	15,094	17,591

Notes to the Financial Statements

20.4 Total finance lease receivables, hire purchases and operating leases

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Gross rentals receivable		78,516,882	64,268,871	565,683	580,072
Unearned finance income		(19,021,784)	(16,548,299)	(541,589)	(560,717)
Allowance for impairment	20.5	(893,363)	(1,121,309)	(15,174)	(17,671)
Prepayments received from lessees	20.1.2	(6,934,987)	(5,263,888)	-	-
Balance as at 31 March		51,666,748	41,335,375	8,920	1,684

20.5 Allowance for impairment

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	270,854	146,686	-	-
Acquisition of subsidiaries	-	3,812	-	-
Charge for the year	343,038	120,356	-	-
Write offs	(4,456)	-	-	-
Write offs & other movements	(1,454)	-	-	-
Balance as at 31 March	607,982	270,854	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	850,455	1,384,810	17,671	20,109
Acquisition of subsidiaries	-	2,913	-	-
Charge for the year	520,450	1,516,437	(2,497)	(2,438)
Write offs	(1,097,499)	(2,053,705)	-	-
Write offs & other movements	11,975	-	-	-
Balance as at 31 March	285,381	850,455	15,174	17,671
Total allowances for impairment	893,363	1,121,309	15,174	17,671

20.6 Analysis of gross portfolio receivables by currency

	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Sri Lankan Rupee	52,560,111	42,456,684	24,094	19,355
Foreign currencies	-	-	-	-
Gross loans and receivables	52,560,111	42,456,684	24,094	19,355

21 Advances and other loans

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Advances and loans	21.1	141,248,787	89,356,136	1,774,112	1,310,259
Factoring receivables	21.2	18,558,318	8,424,912	-	-
Gold loan advances receivables	21.3	1,308,912	744,003	-	-
		161,116,017	98,525,051	1,774,112	1,310,259

21.1 Rentals receivable on loans to customers

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Rentals receivable on loans to customers		148,309,383	94,128,838	1,445,821	811,040
Capital outstanding of revolving loans		4,695,647	4,630,451	212,441	383,960
Gross rental receivables		153,005,030	98,759,289	1,658,262	1,195,000
Future interest		(12,425,604)	(8,501,000)	(1)	(13)
Net rental receivables		140,579,426	90,258,289	1,658,261	1,194,987
Overdue loan instalments		2,702,566	674,499	165,734	164,053
Allowance for impairment	21.1.1	(2,033,205)	(1,576,652)	(49,883)	(48,781)
		141,248,787	89,356,136	1,774,112	1,310,259

21.1.1 Allowance for impairment

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	671,769	723,247	-	-
Charge for the year	297,133	(38,111)	3,166	-
Write offs and other movements	(172,747)	(13,367)	-	-
Balance as at 31 March	796,155	671,769	3,166	-
Allowance for individually non-significant impairment				
Balance as at 01 April	904,883	691,012	48,781	61,937
Charge for the year	268,881	1,516,963	(2,064)	(13,155)
Write offs and other movements	63,286	(1,303,092)	-	(1)
Balance as at 31 March	1,237,050	904,883	46,717	48,781
Total allowances for impairment	2,033,205	1,576,652	49,883	48,781

Notes to the Financial Statements

21.2 Factoring receivables

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Factoring receivables		19,578,423	8,948,025	-	-
Allowance for impairment	21.2.1	(1,020,105)	(523,113)	-	-
Balance as at 31 March		18,558,318	8,424,912	-	-

21.2.1 Allowance for impairment

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	304,705	365,785	-	-
Charge / (reversal) for the year	572,570	216,509	-	-
Write offs and other movements	(307,327)	(277,589)	-	-
Balance as at 31 March	569,948	304,705	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	218,408	186,193	-	-
Charge / (reversal) for the year	270,069	32,215	-	-
Write offs and other movements	(38,320)	-	-	-
Balance as at 31 March	450,157	218,408	-	-
Total allowances for impairment	1,020,105	523,113	-	-

21.3 Gold loan advances receivables

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Gross receivables		1,342,941	807,771	-	-
Allowance for impairment	21.3.1	(34,029)	(63,768)	-	-
Balance as at 31 March		1,308,912	744,003	-	-

21.3.1 Allowance for impairment

For the year ended 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Allowance for individually non-significant impairment				
Balance as at 01 April	63,768	347,993	-	-
Charge / (reversal) for the year	16,967	183,586	-	-
Write offs and other movements	(46,706)	(467,811)	-	-
Balance as at 31 March	34,029	63,768	-	-

21.4 Analysis of gross advance and other loans receivables by currency

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Sri Lankan Rupee	132,522,854	82,916,374	1,823,995	1,359,040
Cambodian Riel	30,974,478	17,525,667	-	-
Burmese kyat	706,024	246,543	-	-
Gross loans and receivables	164,203,356	100,688,584	1,823,995	1,359,040

Notes to the Financial Statements

21.4 Concentration by sector

21.4.1 Lending portfolio

As at 31 March	Finance lease, hire purchases and operating leases	Advances and other loans	Total	Finance lease, hire purchases and operating leases	Advances and other loans	Total
	2016			2015		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Agriculture	9,727,474	45,227,513	54,954,987	7,501,341	18,508,280	26,009,621
Manufacturing	3,148,266	12,313,536	15,461,802	2,629,767	8,951,018	11,580,785
Trade	7,973,405	31,733,117	39,706,522	7,148,251	22,985,963	30,134,214
Tourism	642,932	2,087,272	2,730,204	513,225	1,543,177	2,056,402
Services	10,083,212	23,208,741	33,291,953	8,036,985	21,950,899	29,987,884
Transportation	7,525,021	6,366,131	13,891,152	6,994,264	7,062,945	14,057,209
Construction	1,755,707	7,220,138	8,975,845	1,533,450	5,123,239	6,656,689
Plantation	98,270	861,594	959,864	-	2,198,733	2,198,733
Financial services	226,512	2,088,296	2,314,808	6,978,092	10,200,797	17,178,889
Others	10,485,949	30,009,679	40,495,628	-	-	-
	51,666,748	161,116,017	212,782,765	41,335,375	98,525,051	139,860,426
Company						
Manufacturing	-	56,184	56,184	-	55,798	55,798
Trade	8,920	197,261	206,181	1,684	146,997	148,681
Construction	-	1,510	1,510	-	3,292	3,292
Plantation	-	739,522	739,522	-	1,087,814	1,087,814
Others	-	779,635	779,635	-	16,358	16,358
	8,920	1,774,112	1,783,032	1,684	1,310,259	1,311,943

21.4.2 Other financial assets

As at 31 March 2016	Cash in hand and favourable bank balances Rs. '000	Trading assets - Fair value through profit or loss Rs. '000	Investment securities Rs. '000	Trade and other current assets Rs. '000	Total Rs. '000
Group					
Government	-	4,144	56,354,868	-	56,359,012
Banks, financial and business services	12,195,508	1,776,332	4,528,225	1,188,805	19,688,870
Manufacturing	-	137	52	13,384	13,573
Trade	-	730	1,865	2,567,855	2,570,450
Tourism	-	-	42,166	489,375	531,541
Services	-	-	-	131,185	131,185
Construction	-	484	925	81,583	82,992
Plantation	-	2	2	1,970,267	1,970,271
Others	1,530,286	615,718	23,337	4,038,499	6,207,840
	13,725,794	2,397,547	60,951,440	10,480,953	87,555,734
Company					
Government	24,204	-	204,010	-	204,010
Banks, financial and business services	35,383	1,702	480,533	10,893,049	11,373,582
Manufacturing	-	137	-	-	-
Trade	-	579	-	151,551	151,551
Tourism	-	-	-	2,476,062	2,476,062
Services	-	-	-	272,800	272,800
Plantation	-	-	-	3,926	3,926
Others	3,820	417,708	-	2,727,536	2,727,536
	63,407	420,126	684,543	16,524,924	17,209,467

Notes to the Financial Statements

22 Insurance premium receivables

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Insurance premium receivables	844,149	622,807	-	-
Allowance for impairment	(42,984)	(20,708)	-	-
	801,165	602,099	-	-

Fair value of premium receivables

The carrying amount disclosed above approximates the fair value at the reporting date.

Collateral details

The company does not hold any collateral as security against potential default by policyholders or intermediaries.

23 Inventories

As at 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Raw materials		113,251	111,677	-	-
Work-in-progress		30,835	10,534	-	-
Finished goods and trading stocks		2,305,574	1,143,229	-	-
Input materials		110,756	55,333	-	-
Harvested crops					
- Tea		329,586	378,936	-	-
- Rubber		54,593	50,317	-	-
- Coconut		834	739	-	-
Unharvested produce stock at fair value		5,813	-	-	-
Consumables, maintenance and spares		36,076	53,446	-	-
Vehicle stocks		568,544	121,867	462,760	10,250
Food and beverages		23,229	15,228	-	-
Goods in transit		204,400	142,557	-	-
Others		38,761	1,827	-	-
		3,822,252	2,085,690	462,760	10,250
Allowance for slow moving inventories	23.1	(176,971)	(252,018)	-	-
		3,645,281	1,833,672	462,760	10,250

23.1 Allowance for slow moving inventories

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Balance at 01 April	252,018	434,109	-	-
Provision / (reversal) for the period	(88,519)	(180,657)	-	-
Write offs / (write backs)	13,472	(1,434)	-	-
Balance as at 31 March	176,971	252,018	-	-

24 Current tax assets

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Income tax recoverable	155,497	155,346	101,002	97,870
Value added tax (VAT) recoverable	647,570	778,536	-	-
With-holding tax (WHT) recoverable	121,132	153,022	52,003	67,580
Economic service charge (ESC) recoverable	84,778	95,490	25,329	47,979
Nation building tax (NBT) recoverable	2,877	1,169	-	-
	1,011,854	1,183,563	178,334	213,429

25 Trade and other current assets

As at 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Financial assets					
Trade receivables	25.1	4,229,896	3,443,022	-	-
Amount due from related parties	50.3.1	1,682,430	1,726,509	15,973,627	5,257,972
Loans given to employees	25.2	266,661	331,371	5,079	6,754
Refundable deposits	25.3	25,724	25,254	73,237	58,449
Dividend receivables		276,322	228,829	185,737	164,965
Other financial receivables		1,073,054	1,320,386	174,310	14,258
		7,554,087	7,075,371	16,411,990	5,502,398
Non-financial assets					
Prepayments & advances		2,456,678	1,554,496	112,934	23,805
Prepaid staff costs	25.4	141,745	78,627	-	-
Non refundable deposits		22,588	11,252	-	-
Other non-financial receivables		305,855	383,321	-	-
		2,926,866	2,027,696	112,934	23,805
		10,480,953	9,103,067	16,524,924	5,526,203

Notes to the Financial Statements

25.1 Trade receivables

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Trade receivables		4,717,414	3,866,577	-	-
Allowance for impairment	25.1.1	(487,518)	(423,555)	-	-
		4,229,896	3,443,022	-	-

25.1.1 Allowance for impairment

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Specific allowance for impairment				
Balance as at 01 April	162,568	122,747	-	-
Charge for the year	5,092	41,035	-	-
Written offs and other movements	(109,259)	(1,214)	-	-
Balance as at 31 March	58,401	162,568	-	-
Collective allowance for impairment				
Balance as at 01 April	260,987	307,506	-	-
Charge / (reversal) for the year	78,089	(44,938)	-	-
Written offs and other movements	90,041	(1,581)	-	-
Balance as at 31 March	429,117	260,987	-	-
Total allowances for impairment	487,518	423,555	-	-

25.2 Loans given to employees

As at 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Balance at 01 April	331,371	264,719	6,754	7,813
Granted during the period	74,548	141,525	792	445
Recovered during the period	(113,694)	(82,062)	(1,048)	(750)
Transfers	(25,564)	7,189	(1,419)	(754)
Balance as at 31 March	266,661	331,371	5,079	6,754

25.3 Refundable deposits

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Balance at 01 April	25,254	26,794	58,449	-
Additions during the period	5,313	7,320	14,788	58,449
Adjustment of fair value	(3,548)	(105)	-	-
Refunded during the period	(1,295)	(8,755)	-	-
Balance as at 31 March	25,724	25,254	73,237	58,449

25.4 Prepaid staff costs

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Balance at 01 April	115,674	115,871	-	-
Amortised to profit or loss	29,255	(37,244)	-	-
Other adjustments	(3,184)	-	-	-
	141,745	78,627	-	-

Notes to the Financial Statements

26 Prepaid lease rentals on leasehold properties

As at 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000
Cost		
Balance at the beginning of the period	360,012	63,732
Additions during the period	376,240	296,280
Other movements	26,721	-
Balance at the end of the period	762,973	360,012
Accumulated amortisation		
Balance at the beginning of the period	17,196	12,644
Currency translation and other movements	(5,722)	-
Amortisation for the period	8,964	4,552
Balance at the end of the period	20,438	17,196
Carrying Amount		
As at 31 March 2016	742,535	342,816

Prepaid lease rentals paid to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term.

26.1 Details of lease rentals paid in advance

As at 31 March	Land extent Acres	Initial lease period years	Lease rental value 2016 Rs. '000	Lease rental value 2015 Rs. '000
Cultivation Agreement with Sri Lanka Army	1,000	30 Years	22,285	18,285
Bodufarufinolhu - Maldives	4.94	50 Years	215,940	196,635
Bodufinolhu in South Ari Atoll - Maldives	14.82	50 Years	144,680	-
Plot of Lagoons - Maldives	74.10	50 Years	223,603	-
Mahaweli Authority	45.00	30 Years	7,956	-
Perpetual Reality	0.15	10 Years	12,497	-
Orugodawatta Land - Urban Development Authority	0.93	99 Years	130,012	130,012
Orugodawatta Land Plot 02 - Urban Development Authority	0.17	50 Years		
Janatha Estate Development Board - Hanthana Land	9.15	30 Years	1,360	15,080
Browns Industrial Park - Pannala	25.5	30 Years	4,640	-
			762,973	360,012

26.2 Bodufaru Beach Resorts (Private) Limited

Leasehold right represents the acquisition cost of lease right of the Bodufaru nolhu in Raa Atoll for a period of 50 years by Bodufaru Beach Resorts (Private) Limited by entering into an agreement with the Government of the Republic of Maldives on 23rd November 2014. Persuent to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation the company has obtained the leasehold rights of the Bodufarufinolhu island for a period of 50 years commencing from 23rd November 2014,Bodufinolhu in South Ari Atoll island for a period of 50 years commencing from 7th June 2015 and Plot of Lagoons for a period of 50 years commencing from 13th September 2015. The amount paid to acquire the lease right is recognised over the lease term.

26.3 Browns Global Farm (Private) Limited

Leasehold right represents the acquisition cost of lease right of the Welikanda army camp farm and the mahaweli building for a period of 30 years by Browns Global Farm (Private) Limited by entering into a cultivation agreement with the Sri Lanka Army on 21st May 2014 (effective from 01st April 2014). Persuent to the sales and purchase agreement entered into with Sri Lanka Army the company has obtained the leasehold rights of the Welikanda army camp farm and adjoining mahaweli building to facilitate, cultivation and farming of Bana, Teak and Mango. The amount paid to acquire the lease right is recognised (amortised) over the lease term.

Notes to the Financial Statements

27 Investment properties

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Balance at the beginning of the year	8,807,369	6,655,490	344,000	331,500
Additions	352,340	-	-	-
Additions to investment properties from foreclosure of contracts	-	787,662	-	-
Acquisition of subsidiaries	-	1,466,292	-	-
Disposals	(414,679)	(236,292)	-	-
Transfers (to)/from property plant and equipment	193,066	(17,965)	-	-
Change in fair value during the year	135,120	152,182	9,000	12,500
Balance at the end of the year	9,073,216	8,807,369	353,000	344,000

Investment property comprises of number of commercial properties that are leased / rented out to third parties. Each of the agreement contains an initial non-cancellable period of one year and 32 years for the Excel World property. Subsequent renewals are being negotiated with the lessee and on average renewal periods considered are three to five years.

27.1 Details of investment properties

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Owned properties	4,046,238	3,679,769	353,000	344,000
Properties held under operating leases	5,026,978	5,127,600	-	-
	9,073,216	8,807,369	353,000	344,000

27.2 Relevant income and expenditure relating to investment properties

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000
Rent income earned	230,477	159,807
Direct operating expenses generating rental income	54,036	8,116
Direct operating expenses not generating rental income	80,260	62,378

27.3 Valuation of investment properties

Fair value of the investment properties are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar kind of location and category. Investment property is appraised in accordance with SLFRS 13, LKAS 40 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

'The fair value measurement for all of the investment properties has been categorised as a Level 2 fair value based on the inputs to the valuation techniques used.

'The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Sales comparison method - value derived based on recent transactions of similar properties	Not applicable	'The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used	'The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)
Net income approach	'Net rental income (profit rent) determined based on similar properties value and decapitalisation rate and years of purchase for period used Discount rate - 10% - 11% Annual Rental Income - Rs. 60 Mn - Rs. 70 Mn	'The estimated fair value would increase (decrease) if: - Decapitalisation rate was lesser / (higher) - Years of purchases were higher / (lesser) - Discount rate was lesser / (higher) - Annual rental income were higher / (lesser)

Notes to the Financial Statements

28 Consumable biological assets

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000
Balance as at 01 April		6,383,655	-
Acquisition of subsidiaries		-	6,380,137
Increase due to new planting and re-planting		8,635	3,518
Decrease due to harvesting of timber trees		(45,381)	-
Net increase due to births/deaths (Growing crop nurseries)		2,226	-
Write offs		(3,791)	-
Change in fair value	28.1	(194,354)	-
		6,150,990	6,383,655

28.1 Change in fair value less estimated costs to sell

As at 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000
Due to price changes	(73,327)	-
Due to physical changes	(121,027)	-
	(194,354)	-

28.1.1 The carrying value of timber as at the year end has been computed as follows;

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000
Valuation of consumer biological assets		6,122,018	6,353,743
Cost of timber plant below three years of age, not considered for valuation		26,006	25,367
Growing crop nurseries	28.1.2	2,966	4,545
		6,150,990	6,383,655

28.1.2 Growing crop nurseries

As at 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000
Balance as at 01 April	4,545	-
Acquisition of subsidiaries	-	4,545
Additions	1,939	-
Transfers	(3,518)	-
Balance as at 31 March	2,966	4,545

28.1.3 Plantation area

As at 31 March	Group 2016 Ha.	Group 2015 Ha.
Mature plantations	1,235.38	1,153.12
Immature plantations	1,266.42	1,352.19
	2,501.80	2,505.31

Notes to the Financial Statements

28.2 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques in measuring Level 3 fair value of consumable biological asses as well as the significant unobservable inputs used.

Valuation technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis .	Determination of timber content Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age.	The estimated fair value would increase / (decrease) if; '- the estimated timber content were higher/(lower) - the estimated timber prices per cubic meter were higher/(lower) - the estimated timber prices per cubic meter were higher/(lower)
Expected cash flows are discounted using a risk-adjusted discount rate of 15% comprising a risk premium of 4%.	Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size.	
	Determination of Price of timber Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation and prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration. a) Cost of obtaining approval of felling b) Cost of felling and cutting into logs c) Cost of transportation d) Sawing cost Risk-adjusted discount rate 2015/2016 - 15% (Risk Premium - 4%) 2014/2015 - 13% (Risk premium - 4%)	

28.3 The valuation of consumable biological assets was carried by Mr.K.T.D.Tissera, an independent Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) methods. The Valuation Report dated 9th May 2016 is prepared on the physically verified timber statistics provided by the Company. The timber trees were valued as at 31st March, 2016 by the same Chartered Valuation Surveyor as per the timber statistics provided by the Company.

28.4 Timber Trees namely Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Turpentine, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of Timber Trees.

28.5 In valuing the timber plantations, under-mentioned factors have been taken into consideration.

1 The present age of trees
2 Maturity age of the tree - Maturity of the tree is based on the variety of the species of the tree
3 Annual marginal increase in timber content
4 Number of years to harvest
5 Timber content of harvestable trees on maturity
6 Timber Plants having below three years of age have not been taken into the valuation
7 The timber content of immature trees at an estimated future harvestable year
8 The current price of species of timber per cubic foot at the relevant year

28.6 Trees have been valued as per the current timber prices in the domestic market based on the price list of the State Timber Corporation and prices of timber trees sold by estates and prices of logs and sawn timber in the popular timber traders in Sri Lanka.

28.7 The fair value is determined on the basis of net present value of expected future cash flows using a discount rate of 15% per annum. The significant assumptions used in the valuation of consumable biological assets are as follows:

1 Future cash flows are determined by references to current timber prices without considering the inflationary effect
2 The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms
3 Timber trees that have not come upto a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size
4 The present value of the trees is worked out based on the projected size and the estimated number of years it would take to reach the size. This is worked out on the basis of an annual marginal increase of timber content which normally ranges from 0.50 to 1.50 cm per year for trees of diameter girth over 10 cm
5 The value of each matured species of timber is worked out on the price of a cubic foot of timber in the market of the species and the available cubic content of timber in the tree
6 Due consideration has been given for cost of felling, transport, sawing, cost to sell including obtaining of approval for felling

28.8 Managed trees include commercial timber plantations cultivated in estates. The cost of immature trees is treated at approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

Notes to the Financial Statements

28.9 The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by the Institute of Chartered Accountants of Sri Lanka. The valuation was carried but by using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

28.10 The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in LKAS 41 against his own assumptions.

28.11 The biological assets of Group is cultivated in the leasehold lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

28.12 Sensitivity analysis for biological assets

28.12.1 Sensitivity variation on sales price

Values as appearing in the Statement of Financial Position are sensitive to price changes with regard to the average sales prices applied. Simulation made for timber to show that a rise or a decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000
Carrying amount	28.1.1	6,150,990	6,383,655
Sensitivity on sale price	+10%	612,202	635,374
	-10%	(612,202)	(635,374)

28.12.2 Sensitivity variation on discount rate

Values as appearing in the Statement of Financial Position are sensitive to changes of the discount rate applied. Simulations made for rubber, coconut and timber show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets;

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000
Carrying amount	28.1.1	6,150,990	6,383,655
Sensitivity on discount rate	+1%	(181,826)	(239,347)
	-1%	212,930	288,309

28.13 Risk factors

The Group is exposed to a number of risks related to its timber plantations;

Regulatory and environmental risks

The Group is subject to laws and regulations imposed by the environmental authorities of Sri Lanka. The Group established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is subject to laws and regulations imposed by the environmental authorities of Sri Lanka. The Group established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Climate and other risks

The Group's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

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29 Bearer biological assets

With the transition from local financial reporting framework (SLAS) to corresponding International Financial Reporting Framework (SLFRS and LKAS) with effect from 1st January 2012, the Group opted to measure its bearer biological assets of rubber and coconut at fair value in compliance with LKAS 41 – "Agriculture".

Pursuant to the amendments made to the International Financial Reporting Standards, the Institute of Chartered Accountants of Sri Lanka issued the amended "Agriculture: Bearer Plants" (Amendments to LKAS 16 and LAKS 41) in March 2015 which is to be effective for the annual financial reporting periods beginning on or after 1st January 2016 with a permission for early adoption. This amendment requires the bearer plants which were previously measured at fair value under LKAS 41 – "Agriculture" to be accounted within the scope of LKAS 16 – "Property, Plant and Equipment" at cost less accumulated depreciation and impairment.

The Group decided to early adopt this amendment voluntarily for the year ended 31 March 2016 by restating the earliest period presented as required by LKAS 8 – "Accounting Policies, Changes in accounting estimates and Errors". Accordingly, the amounts presented as at 01 April 2014 and 31st March 2015 were restated.

Subject to paragraph 22 of LKAS 08, the Group adjust the opening balance of each attached component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Effects of the measurement on the respective assets, liabilities and equity in the Statement of financial position as at 01 April 2014, 31 March 2015 and statement of profit or loss for year ended 31 March, 2015 are given in the note 57 to the financial statements;

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000
On finance lease	29.3	155,680	175,409
Investments after formation of the plantation companies	29.4	4,631,761	4,455,044
Growing crop nurseries	29.5	23,912	27,052
		4,811,353	4,657,505

29.1 Amortisation/ depreciation for the period recognised for bearer biological assets

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000
On finance lease	29.3	19,729	-
Investments after formation of the plantation companies	29.4	145,698	-
		165,427	-

29.2 Carrying amount of bearer biological assets

As at 31 March	Note	On finance lease	Investments after formation	Growing crop nurseries	2015/16 Total	2014/15 Total
		29.3	29.4	29.5		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost		596,307	5,696,616	23,912	6,316,835	5,997,560
Accumulated depreciation		(440,627)	(1,064,855)	-	(1,505,482)	(1,340,055)
Carrying amount		155,680	4,631,761	23,912	4,811,353	4,657,505

29.3 On finance lease

Mature plantations	Tea	Rubber	Coconut	2015/16 Total	2014/15 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost					
Balance as at 01 April	371,934	212,787	11,586	596,307	-
Acquisition of subsidiaries	-	-	-	-	596,307
Balance as at 31 March	371,934	212,787	11,586	596,307	596,307
Accumulated depreciation					
Balance as at 01 April	263,390	149,474	8,034	420,898	-
Acquisition of subsidiaries	-	-	-	-	420,898
Charge for the year	12,250	7,093	386	19,729	-
Balance as at 31 March	275,640	156,567	8,420	440,627	420,898
Carrying amount	96,294	56,220	3,166	155,680	175,409

29.4 Investments after formation of the plantation companies

Immature Plantations	Tea	Rubber	Cinnamon	Mixed Crops	2015/16 Total	2014/15 Total
	Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000
Cost						
Balance as at 01 April 2015	446,995	1,814,513	80,757	30,382	2,372,647	-
Additions / transfer in from growing crop nurseries	57,487	209,301	16,911	53,231	336,930	-
Acquisition of subsidiaries	-	-	-	-	-	2,372,647
Written off during the year	(3,037)	-	(716)	(10,763)	(14,516)	-
Transfer out	(75,853)	(434,457)	(43,522)	(15,225)	(569,057)	-
Balance as at 31 March 2016	425,592	1,589,357	53,430	57,625	2,126,004	2,372,647

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These are investments in immature/ mature plantations before the formation of two plantation companies namely Pussellawa Plantations Ltd and Maturata Plantations Ltd. These assets (including plantation assets) taken over by way of estate leases are set out in Note 35.2. Further investments in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

Mature Plantations	Tea	Rubber	Coconut	Cinnamon	Mixed Crops	2015/16 Total	2014/15 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost							
Balance as at 01 April 2015	1,389,643	1,542,618	27,831	41,462	-	3,001,554	-
Transfer in	75,854	434,457	-	43,522	15,225	569,058	-
Acquisition of subsidiaries	-	-	-	-	-	-	3,001,554
Balance as at 31 March 2016	1,465,497	1,977,075	27,831	84,984	15,225	3,570,612	3,001,554
Accumulated depreciation							
Balance as at 01 April 2015	389,865	521,452	5,705	2,135	-	919,157	-
Charge for the year	47,221	96,334	540	990	613	145,698	-
Acquisition of subsidiaries	-	-	-	-	-	-	919,157
Balance as at 31 March 2016	437,086	617,786	6,245	3,125	613	1,064,855	919,157
Carrying Amount							
As at 31 March 2016	1,028,411	1,359,289	21,586	81,859	14,612	2,505,757	2,082,397

29.5 Growing crop nurseries

	Tea	Rubber	Cinnamon	Mixed Crops	2015/16 Total	2014/15 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost						
Balance as at 01 April	18,859	6,669	1,234	290	27,052	-
Additions	-	-	4,621	1,850	6,471	-
Transfers	(7,026)	(2,163)	-	(422)	(9,611)	-
Acquisition of subsidiaries	-	-	-	-	-	27,052
Balance as at 31 March	11,833	4,506	5,855	1,718	23,912	27,052

29.6 Additions to the immature plantations

These are investments in bearer biological assets carried at cost which comprises of immature/mature plantations since the formation of the plantation companies. Further, investment in immature plantations taken over by way of leases is shown in this note. When such plantations become mature, the additional investments need to be incurred since, taken over to bring them to maturity will be moved from immature to mature under this note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will also be carried out under this note.

The additions to bearer biological assets shown above includes the following costs among other costs incurred during the year in respect of uprooting, planting and upkeeping of bearer plants.

	2016		2015	
	Extent Ha	Amount Rs. '000	Extent Ha	Amount Rs. '000
Uprooting				
Tea	23.95	3,264	36.62	7,237
Rubber	43.69	777	43.70	1,442
Cinnamon	5.00	548	-	-
	72.64	4,589	80.32	8,679
Planting				
Tea	14.27	24,348	18.35	25,163
Rubber	69.58	79,544	23.34	49,333
Cinnamon	85.78	47,835	-	-
Mixed Crop	70.00	20,343	-	49,387
	239.63	172,070	41.69	123,883
Upkeep				
Tea	85.88	29,875	89.63	46,877
Rubber	1,180.62	128,980	1,573.91	197,557
Coconut	-	-	-	-
Cinnamon	9.90	1,417	8.00	7,535
	1,276	160,272	1,672	251,969
	1,589	336,931	1,794	384,531

29.7 Borrowing Costs amounting to Rs 40.89 Mn (2014/15 - Rs 35.12 Mn) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalised at rate of 13.04% per annum (2014/15 - 13.56%) as part of the cost of immature plantations. Capitalisation of borrowing costs will be ceased when the plantations are ready for bearing.

29.8 Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalised during the period under immature plantations

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30 Subsidiary companies

30.1 Company

As at 31 March	2016			2015		
	No. of shares	Holding %	Cost Rs. '000	No. of shares	Holding %	Cost Rs. '000
Subsidiaries						
Listed subsidiaries						
Brown and Company PLC	3,382,800	4.77%	532,474	3,382,800	4.77%	532,474
Browns Investments PLC	14,344,100	0.77%	83,426	14,344,100	0.77%	83,426
Commercial Leasing & Finance PLC	6,308,876,426	98.92%	10,599,809	6,308,876,426	98.92%	10,599,809
Browns Hydro Power PLC	976,700	0.90%	14,298	976,700	0.90%	14,298
LOLC Finance PLC	2,520,000,000	90.00%	11,663,428	2,520,000,000	90.00%	11,663,428
			22,893,435			22,893,435
Non-listed subsidiaries						
Commercial Factors Limited	1	100.00%	-	1	100.00%	-
Eagle Recoveries (Private) Limited {early known as Green City Estates Limited}	1	100.00%	-	1	100.00%	-
East Coast Land Holdings (Private) Limited	13,300,000	100.00%	133,000	13,300,000	100.00%	133,000
Galoya Holdings Limited	1,000,000	50.00%	13,005	1,000,000	50.00%	13,000
Green Orchard Property Investments (Private) Limited	7,195,660	100.00%	71,957	7,195,660	100.00%	71,957
LOLC Insurance Holdings Limited	120,000,000	100.00%	1,400,000	120,000,000	100.00%	1,210,121
Lanka ORIX Information Technology Services Limited	1,700,000	100.00%	17,000	1,700,000	100.00%	17,000
Lanka ORIX Project Development Limited	5,200,000	100.00%	52,000	5,200,000	100.00%	52,000
LOLC Corporate Services Limited	1	100.00%	-	1	100.00%	-
LOLC Eco Solutions Limited	2,500,000	100.00%	25,000	2,500,000	100.00%	25,000
LOLC Factors Limited	1	100.00%	700,000	1	100.00%	700,000
Green Valley Asset Holdings (Private) Limited	1	100.00%	-	1	100.00%	-
LOLC Investments Limited	356,000,000	100.00%	10,263,000	356,000,000	100.00%	10,263,000
LOLC Micro Credit Limited	62,959,191	80.00%	4,161,560	62,959,191	80.00%	4,161,560
LOLC Micro Investments Limited	1	100.00%	2,603,000	1	100.00%	2,603,000
LOLC Myanmar Micro-finance Limited	971,378	100.00%	129,908	971,378	100.00%	129,908
LOLC Motors Limited	60,000,000	100.00%	600,000	30,000,000	100.00%	300,000
LOLC Securities Limited	10,000,000	100.00%	100,000	10,000,000	100.00%	100,000
LOLC Securities Limited - Preference Shares	25,000,000	100.00%	250,000	25,000,000	100.00%	250,000
Prospere Realty (Private) Limited	1	100.00%	-	1	100.00%	-
Sundaya Lanka (Private) Limited	624,490	51.00%	6,245	624,490	51.00%	6,245
			20,525,675			20,035,791
Allowance for Impairment (Note 30.2)			(803,179)			(803,176)
Total			42,615,931			42,126,050

30.2 Allowance for Impairment

As at 31 March	Note	Company 2016 Rs. '000	Company 2015 Rs. '000
Lanka ORIX Project Development Limited		52,000	52,000
Sundaya Lanka (Private) Limited		6,245	6,245
Galoya Holdings Limited		13,000	13,000
LOLC Factors Limited		700,000	700,000
LOLC Eco Solutions Limited		25,000	25,000
Browns Hydro Power PLC		6,934	6,931
	30.2.1	803,179	803,176

30.2.1 Movement in allowance for impairment

As at 31 March	Company 2016 Rs. '000	Company 2015 Rs. '000
Balance as at 01 April	803,176	796,245
Provided for the period	3	6,931
Balance as at 31 March	803,179	803,176

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30.3 Group holdings in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows;

As at 31 March		Proportion of ownership interest held by the group			
		2016		2015	
Subsidiary	Principal activities	No. of shares	Control holding %	No. of shares	Control holding %
Listed subsidiaries					
BRAC Lanka Finance PLC	Financial services	99,779,641	94.35%	99,779,641	94.35%
Brown & Company PLC	Trading and manufacturing	70,875,000	54.54%	70,875,000	54.54%
Browns Hydro Power PLC (early known as FLC Hydro Power PLC)	Hydro Power Generation	77,713,512	71.24%	77,713,512	71.24%
Browns Capital PLC (early known as FLC Holdings PLC)	Investing in ventures	831,578,217	60.79%	747,600,000	54.65%
Browns Investments PLC	Investments holding	2,017,255,625	54.23%	2,017,255,625	54.23%
Commercial Leasing & Finance PLC	Financial services	6,348,876,426	99.55%	6,348,876,426	99.55%
Eden Hotels Lanka PLC - Note 30.5.1	Hotelier	24,560,733	46.52%	24,398,472	46.21%
LOLC Finance PLC (early known as Lanka ORIX Finance PLC)	Financial services	2,520,000,000	90.00%	2,520,000,000	90.00%
Palm Garden Hotels PLC	Investments holding	38,671,013	89.38%	38,671,013	89.38%
Non-listed subsidiaries					
Ajax Engineers (Private) Limited	Aluminium Fabrication	469,987	100.00%	239,694	51.00%
B G Air Services (Private) Limited	Air ticketing and outbound tours	50,000	100.00%	50,000	100.00%
BI Logistics and Commodities (Private) Limited	Pre-operational	1,000,000	100.00%	-	-
BI Zhongtian Holdings (Pvt) Ltd	Pre-operational	25,499,949	51.00%	-	-
Browns Capital (Private) Limited	Investing in ventures	-	-	5,000,000	100.00%

As at 31 March		Proportion of ownership interest held by the group			
		2016		2015	
Subsidiary	Principal activities	No. of shares	Control holding %	No. of shares	Control holding %
Browns Capital Holdings (Private) Limited {early known as FLC Joint Venture (Private) Limited}	Investing in ventures	880,000,000	100.00%	100,000,000	100.00%
Browns Global Farm (Private) Limited	Agriculture	25,000	100.00%	25,000	100.00%
Browns Group Industries (Private) Limited	Providing marine solutions	2,800,000	100.00%	2,800,000	100.00%
Browns Group Motels Limited	Non-operational	399,859	79.97%	399,859	75.97%
Browns Health Care (Private) Limited	Healthcare services	67,000,000	100.00%	67,000,000	100.00%
Browns Health Care North Colombo (Private) Limited	Healthcare services	10,000,000	100.00%	1	100.00%
Browns Holdings Limited	Investments holding	515,670,420	99.49%	345,170,420	66.60%
Browns Hotels and Resorts Limited	Investments holding	849,166,000	100.00%	849,166,000	100.00%
Browns Industrial Park (Private) Limited	Renting of properties	15,405,137	100.00%	15,405,137	100.00%
Browns Motors (Private) Limited	Non-operational	50,000	100.00%	50,000	100.00%
Browns Power Holding Limited	Investing in ventures	100,000,000	100.00%	100,000,000	100.00%
Browns Properties (Private) Limited	Real estate business	60,000,000	100.00%	60,000,000	100.00%
Browns Real Estate (Private) Limited	Pre-operational	5,000,000	100.00%	5,000,000	100.00%
Browns Thermal Engineering (Private) Limited	Importing and manufacturing Radiators	1,499,997	100.00%	1,499,997	100.00%
Browns Tours (Private) Limited	GSA for Austrian airlines and inbound tour operations	2,030,000	100.00%	2,030,000	100.00%
Central Services Limited	Non-operational	-	-	802	100.00%
Ceylon Estate Teas (Private) Limited	Marketing and distribution of teas	455,000	100.00%	455,000	100.00%
Ceylon Roots (Private) Limited	Inbound tour operations	90,000	60.00%	90,000	60.00%
CFT Engineering Limited	Non-operational	3,450	95.04%	3,450	95.04%

Notes to the Financial Statements

As at 31 March		Proportion of ownership interest held by the group			
		2016		2015	
Subsidiary	Principal activities	No. of shares	Control holding %	No. of shares	Control holding %
Commercial Factors (Private) Limited	Non-operational	1	100.00%	1	100.00%
Creations Wooden Fabricators (Private) Limited {early known as Creations Constructions Engineering (Private) Limited} - Note 30.5.3	Manufacturing	10,000	50.00%	10,000	50.00%
Dikwella Resort (Private) Limited	Hotelier	481,314	100.00%	481,314	100.00%
Diriya Investments (Private) Limited	Investments holding	216,106,704	100.00%	216,106,704	100.00%
Distant Horizons (Private) Limited	Pre-operational	1	100.00%	1	100.00%
Dolekanda Power (Private) Limited	Hydro Power Generation	10,000,000	100.00%	10,000,000	100.00%
E.S.L Trading (Private) Limited	Pre-operational	1	100.00%	1	100.00%
Eagle Recoveries (Private) Limited {early known as Green City Estates Limited}	Real estate	1	100.00%	1	100.00%
East Coast Land Holdings (Private) Limited	Real estate	13,300,000	100.00%	13,300,000	100.00%
Engineering Services (Private) Limited	Selling Generators & Related Services	147,501	100.00%	147,501	100.00%
Enselwatte Power (Private) Limited	Hydro Power Generation	10,000,000	100.00%	10,000,000	100.00%
Excel Global Holding Limited	Investments holding	53,448,329	100.00%	53,448,329	100.00%
Excel Restaurant (Private) Limited	Operating restaurant	10,004	100.00%	10,004	100.00%
F L C Estates Bungalows (Private) Limited	Leisure	1,000,000	100.00%	1,000,000	100.00%
F L M C Plantations (Private) Limited	Plantation management	5,500,000	55.00%	5,500,000	55.00%
F L P C Management (Private) Limited	Plantation management	92,052,842	95.34%	92,052,842	95.34%
Fairview Lands Limited	Pre-operational	1	100.00%	1	100.00%
Fortune Fields (Private) Limited	Pre-operational	1	100.00%	1	100.00%
Galoya Holdings (Private) Limited	Managing plantations	2,600,000	100.00%	2,600,000	100.00%

As at 31 March		Proportion of ownership interest held by the group			
		2016		2015	
Subsidiary	Principal activities	No. of shares	Control holding %	No. of shares	Control holding %
Golden Vistas (Private) Limited	Pre-operational	1	100.00%	1	100.00%
Green Orchard Property Investments (Private) Limited {LOLC Property Investments Limited}	Real estate	1	100.00%	1	100.00%
Green Paradise Resorts (Private) Limited	Hotelier	2,800,007	56.00%	2,550,006	51.00%
Green Valley Asset Holdings (Private) Limited	Real estate	1	100.00%	1	100.00%
Halgranoya Hydro Power (Private) Limited	Hydro Power Generation	10,000,000	100.00%	10,000,000	100.00%
Invest Land (Private) Limited	Pre-operational	1	100.00%	1	100.00%
Klevenberg (Private) Limited	Trading	15,600,000	100.00%	11,856,000	76.00%
Lanka ORIX Information Technology Services Limited	Software design development and distribution	1,700,000	100.00%	1,700,000	100.00%
Lanka ORIX Project Development (Private) Limited	Non-operational	5,200,000	100.00%	5,200,000	100.00%
LOLC Capital One (Private) Limited	Pre-operational	1	100.00%	1	100.00%
LOLC Corporate Services (Pvt) Ltd	Secretarial services	1	100.00%	1	100.00%
LOLC Eco Solutions Limited	Investments holding	2,500,000	100.00%	2,500,000	100.00%
LOLC Factors Limited	Factoring services	1	100.00%	1	100.00%
LOLC General Insurance Limited	General insurance	1	100.00%	1	100.00%
LOLC Insurance Holdings Limited {early known as LOLC Asset Holdings Limited}	Investments holding	1	100.00%	1	100.00%
LOLC Investments Limited	Investments holding	356,000,000	100.00%	356,000,000	100.00%
LOLC Life Assurance Limited	Life assurance	60,000,000	100.00%	60,000,000	100.00%
LOLC Micro Credit Limited	Financial Services (Agro and micro financing)	62,959,191	80.00%	62,959,191	80.00%

Notes to the Financial Statements

As at 31 March		Proportion of ownership interest held by the group			
		2016		2015	
Subsidiary	Principal activities	No. of shares	Control holding %	No. of shares	Control holding %
LOLC Micro Investments Limited	Investment holdings	250,000,000	100.00%	250,000,000	100.00%
LOLC Motors Limited	Vehicle trading & repair services	30,000,000	100.00%	30,000,000	100.00%
LOLC Securities Limited	Stock trading	10,000,000	100.00%	10,000,000	100.00%
LOLC Technologies Limited	IT services	1	100.00%	1	100.00%
Masons Mixture Limited	Non-operational	4,289,849	99.67%	4,289,849	99.67%
Maturata Plantation Limited	Plantations	25,200,000	72.00%	25,200,000	72.00%
Melfort Green Tea Limited - Note 30.5.2	Manufacturing Green Tea	650,000	46.43%	650,000	46.43%
Millennium Development Limited	Recreational activities	44,390,823	100.00%	44,390,823	100.00%
Mutugalla Estates (Private) Limited	Fund/ Investment management	-	-	960	80.00%
Orient Academy Limited	Educational services	-	-	1,500,000	100.00%
Orient Global Technology Limited	Pre-operational	-	-	1	100.00%
Pathregalla Estates (Private) Limited	Fund/ Investment management	-	-	3,831	91.21%
Pleasure Landscape Limited	Pre-operational	1	100.00%	1	100.00%
Prospere Realty (Private) Limited	Real estate	1	100.00%	1	100.00%
Pussellawa Plantations Limited	Plantations	14,236,986	59.70%	14,236,986	59.70%
Riverina Resort (Private) Limited	Pre-operational	35,050,000	100.00%	35,050,000	100.00%
S.F.L. Services (Private) Limited	Lending to related companies	1,350,000	100.00%	1,350,000	100.00%
Saga Solar Power (Private) Limited	Solar power generation (Pre-operational)	38,703,370	50.10%	-	-
Sifang Lanka (Private) Limited	Importing ,Assembling & Selling of agro equipment's	2,000,000	100.00%	2,000,000	100.00%

As at 31 March		Proportion of ownership interest held by the group			
		2016		2015	
Subsidiary	Principal activities	No. of shares	Control holding %	No. of shares	Control holding %
Sifang Lanka Trading (Private) Limited	Non-operational	2,997,750	100.00%	2,997,750	100.00%
Snowcem Products Lanka (Private) Limited	Non-operational	40,000	100.00%	40,000	100.00%
Southern Cleaners Limited	Fund/ Investment management	-	-	201,267	100.00%
Speed Italia Limited	Vehicle trading	100,000	100.00%	100,000	100.00%
Stellenberg Hydro Power (Private) Limited	Hydro Power Generation	150,000,000	100.00%	150,000,000	100.00%
Sumudra Beach Resorts (Private) Limited	Hotelier - pre-operational	33,127,500	100.00%	33,127,500	100.00%
Sun & Fun Resorts (Private) Limited	Hotelier	16,287,848	51.00%	16,287,848	51.00%
Sundaya Lanka (Private) Limited	Non-operational	624,490	51.00%	624,490	51.00%
Tea Leaf Resort (Private) Limited	Leisure	250,000	50.10%	250,000	50.10%
The Hatton Transport & Agency Company (Private) Limited	Non-operational	112,000	100.00%	112,000	100.00%
Thebuwana Hydro Power (Private) Limited	Hydro Power Generation	77,713,512	100.00%	77,713,512	100.00%
Thurushakthi (Private) Limited	Non-operational	1	100.00%	1	100.00%
Tropical Villas (Private) Limited	Non-operational	10,344,300	100.00%	10,344,300	100.00%
United Dendro Energy (Private) Limited	Non-operational	750	75.00%	750	75.00%
United Dendro Energy Ambalantota (Private) Limited	Non-operational	1	100.00%	1	100.00%
United Dendro Energy Kawantissapura (Private) Limited	Non-operational	1	100.00%	1	100.00%
United Dendro Energy Puttalam (Private) Limited	Non-operational	1	100.00%	1	100.00%
United Dendro Energy Walawewatte (Private) Limited	Non-operational	1	100.00%	1	100.00%
Walker & Greig (Private) Limited	Non-operational	1	100.00%	1	100.00%

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As at 31 March		Proportion of ownership interest held by the group			
		2016		2015	
Subsidiary	Principal activities	No. of shares	Control holding %	No. of shares	Control holding %
Foreign subsidiaries using different functional currencies					
Bodufaru Beach Resorts (Private) Limited	Fund/ Investment management	55,100	99.82%	30,100	99.67%
LOLC Cambodia PLC	Financial services	140,210	60.00%	140,210	60.00%
LOLC Myanmar Micro-Finance Company Limited	Financial services	2,026,910	100.00%	971,379	100.00%

30.4 Fair values of subsidiaries

The Directors' valuation of investments in subsidiaries has been done on consolidated net assets basis. The following subsidiaries are listed in the Colombo Stock Exchange and their market value details given below;

As at 31 March	Group			
	2016		2015	
	No. of share	Market value Rs. '000	No. of share	Market value Rs. '000
BRAC Lanka Finance PLC	99,779,641	NA	99,779,641	NA
Brown & Company PLC	70,875,000	5,655,825	70,875,000	6,839,438
Browns Hydro Power PLC	77,713,512	404,110	77,713,512	660,565
Browns Capital PLC	831,578,217	997,894	747,600,000	1,196,160
Browns Investments PLC	2,017,255,625	2,622,432	2,017,255,625	3,227,609
Commercial Leasing & Finance PLC	6,348,876,426	24,125,730	6,348,876,426	25,395,506
Eden Hotels Lanka PLC	24,560,733	392,972	24,398,472	512,368
LOLC Finance PLC	2,520,000,000	7,056,000	2,520,000,000	9,324,000
Palm Garden Hotels PLC	38,671,013	1,156,263	38,671,013	1,774,999
		42,411,226		48,930,645

30.5 Nature of the relationship between the parent and subsidiaries when the parent does not own, more than half of the voting power

30.5.1 Eden Hotels Lanka PLC - Eden

The Group considers Eden as a subsidiary by virtue of de facto control, though the Group owns less than half of the Eden (46.52%) and has less than half of the voting power. It is able to govern the financial and operating policies of Eden and on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercising their votes collectively. Consequently, the Group concludes Eden as a subsidiary and consolidates.

30.5.2 Melfort Green Tea Limited - MGTL

Although the group owns less than half of the voting power of MGTL (46.43%), management has determined that the group has had control over the investee. This is because the group holds significantly more Board control over MGTL than other vote holders. Accordingly, the group applied acquisition accounting to the investment.

30.5.3 Creations Wooden Fabricators (Private) Limited - CWF

The group owns one half of the voting power of CWF (50%). However, based on the nature of the business the CWF engaged in, the Group receives substantially all the returns relating to their operations (significant component of the entity's businesses come from the Group), management has determined that the group has the control over the investee.

Notes to the Financial Statements

30.6 Acquisition of a subsidiary - Saga Solar Power (Private) Limited - SSP

In October 2015, Browns Capital PLC, a subsidiary of the Group acquired controlling stake (50.1%) of Saga Solar Power (Private) Limited (SSP) for a consideration of Rs. 407 Mn. SSP is to engage in to a 10 MW solar power project at Baruthankanda in Hambantota.

30.6.1 Consideration paid

For the year ended 31 March 2016	Control holding acquired	Cash and cash equivalents paid	Acquisition related costs Note 30.6.2	Fair value of the consideration paid
	%	Rs.'000	Rs.'000	Rs.'000
Saga Solar Power (Private) Limited	50.10%	407,064	-	407,064

30.6.2 Acquisition related costs

The Group acquired the SSP by capitalising its investment to SSP equity, thus no transaction costs were incurred.

30.6.3 Fair values of identifiable assets acquired and liabilities assumed

	Group
	Rs. '000
Assets	
Cash and cash equivalents	13,238
Investment securities	580,000
Trade and other current assets	9,108
Intangible assets	107,795
Property, plant and equipment	54,016
Total assets	764,157
Liabilities	
Interest bearing borrowings	2,184
Trade and other payables	5,463
Total liabilities	7,647
Fair value of net assets acquired	756,510

30.6.10 Goodwill on acquisition / (Gain on bargain purchase)

Goodwill on acquisition / (Gain on bargain purchase) is recognised as a result of the acquisitions as follows;

For the year ended 31 March 2016	Note	Group Rs. '000
Fair value of the consideration paid	30.6.1	407,064
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities		354,484
		761,548
Fair value of identifiable net assets	30.6.3	756,510
Goodwill on acquisition / (Gain on bargain purchase)		5,038

30.6.11 Net cash used in acquisition

For the year ended 31 March 2016	Note	Group Rs. '000
Purchase consideration paid	30.6.1	
Cash and cash equivalents paid		407,064
(-) Cash & cash equivalents acquired	30.6.3	
Positive cash balances		(13,238)
Net cash used in acquisition		393,826

Notes to the Financial Statements

30.7 Divestment of a subsidiary - Orient Academy Limited

The Group divested Orient Academy Limited, a wholly owned subsidiary for a consideration of Rs. 6.4 Mn. The results of the disposal are as follows;

30.7.1 Fair values of the identifiable assets and liabilities of the disposed;

	Group
	Rs. '000
Assets	
Cash and cash equivalents	1,660
Trade and other receivables	13,040
Property, plant and equipment	909
	15,609
Liabilities	
Trade and other payables	3,450
Retirement benefit obligation	895
	4,345
Net assets disposed	11,264
Fair value of the consideration received	6,400
Loss on disposal	(4,864)

30.7.2 Net cash received from divestment

	Note	Group
		Rs. '000
Purchase consideration received	30.7	6,400
(-) Cash & cash equivalents acquired	30.7.1	
Positive cash balances		(1,660)
Net cash received from divestment		4,740

30.8 Formation of subsidiaries

The following subsidiaries formed by the Group;

Subsidiary	Group		
	Ownership %	Capital infusion Rs. '000	NCI contribution Rs. '000
BI Logistics and Commodities (Private) Limited	100.00%	10,000	-
BI Zhongtian Holdings (Private) Limited	51.00%	255,000	245,000
		265,000	245,000

30.9 Acquisition of non-controlling interests

During the financial year, Group acquired non-controlling interests from the following subsidiaries.

Subsidiary	% of NCI acquired	Consideration paid Rs. '000	Net assets acquired Rs. '000	Results on acquisitions Rs. '000
Browns Holdings Limited - Group	32.90%	1,108,315	641,700	(466,615)
Ajax Engineers (Private) Limited	49.00%	100,000	89,041	(10,959)
Eden Hotels Lanka PLC	0.31%	2,494	1,317,758	1,315,264
Green Paradise Resorts (Private) Limited	5.00%	8,000	27,268	19,268
Klevenberg (Private) Limited	24.00%	51,164	27,261	(23,903)
Browns Capital PLC - Group	6.14%	126,167	175,042	48,875
		1,396,140	2,278,070	881,930

The results of non-controlling interests acquisitions (difference of net assets acquired over the consideration) were directly charged to equity under shareholder transactions.

30.10 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

As at 31 March 2016	LOFC	LOMC	PALM	EDEN	DRS	TPC	BCL	MDL	GPR	MPL	PPL	Total
NCI %	10.00%	20.00%	67.82%	85.02%	85.02%	40.00%	45.86%	64.00%	79.84%	84.98%	92.81%	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total Assets	110,385,065	47,067,260	3,929,695	5,469,141	2,053,384	35,128,019	18,132,332	3,882,833	1,290,058	5,020,625	8,822,692	241,181,104
Total liabilities	101,186,931	39,565,875	316,322	2,779,768	752,230	29,282,109	9,201,346	101,570	146,602	3,935,659	2,795,253	190,063,665
Net assets	9,198,134	7,501,385	3,613,373	2,689,373	1,301,154	5,845,910	8,930,986	3,781,263	1,143,456	1,084,966	6,027,439	51,117,439
Carrying amount of NCI	919,813	1,500,277	2,450,749	2,286,539	1,106,258	2,338,344	4,095,343	2,420,023	912,937	921,986	5,594,317	24,546,587
Gross income	14,383,106	10,108,295	460	832,905	118,978	6,673,467	11,341,148	(21,455)	200,244	2,062,671	3,148,193	48,848,012
Profit for the period	1,426,993	1,603,090	(33,059)	(73,251)	(110,448)	1,882,517	890,409	(81,781)	(40,265)	(500,232)	(201,412)	4,762,561
OCI for the period	(222,455)	173,222	646,089	398,851	(12,178)	417,695	285,345	(104)	(50,235)	220,931	241,696	2,098,857
Profits allocated to NCI	142,699	320,618	(22,422)	(62,279)	(93,904)	753,000	408,301	(52,340)	(32,148)	(425,089)	(186,939)	749,498
OCI allocated to NCI	(22,246)	34,644	438,206	339,108	(10,354)	167,077	130,846	(67)	(40,108)	187,743	224,328	1,449,179

Notes to the Financial Statements

30.10 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiairies that has material NCI, before any intra-group eliminations.

As at 31 March 2015	LOMC	PALM	DRS	TPC	BCL	SFL	MDL	GPR	MPL	PPL	Total
NCI %	20.00%	73.60%	87.80%	40.00%	62.10%	62.10%	70.46%	84.93%	89.03%	94.70%	
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total Assets	30,517,366	3,205,284	1,802,355	19,902,722	15,769,068	1,567,890	3,904,305	1,290,731	5,240,899	9,927,793	93,128,413
Total liabilities	24,720,994	229,816	378,636	16,357,025	7,966,726	9,920	40,168	56,775	3,700,567	2,936,258	56,396,885
Net assets	5,796,372	2,975,468	1,423,719	3,545,697	7,802,342	1,557,970	3,864,137	1,233,956	1,540,332	6,991,535	36,731,528
Carrying amount of NCI	1,159,274	2,189,827	1,250,010	1,418,267	4,845,318	967,512	2,722,593	1,048,042	1,371,354	6,620,890	23,593,088
Gross income	7,065,315	773	148,254	2,524,346	7,785,137	75,135	46,875	154,237	-	-	17,800,072
Profit for the period	1,174,275	(163,410)	(59,601)	661,520	561,771	(10,451)	(12,102)	(32,612)	-	-	2,119,390
OCI for the period	58,635	830	115	124,999	53,493	-	-	-	-	-	238,072
Profits allocated to NCI	234,855	(120,263)	(52,329)	264,606	348,864	(6,490)	(8,527)	(27,699)	-	-	633,017
OCI allocated to NCI	11,727	611	101	49,999	33,220	-	-	-	-	-	95,658

31 Jointly controlled entities

31.1 Equity value of investment in jointly controlled entities to the Group

For the year ended 31 March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000
Balance as at 01 April	57.1.2	-	1,204,151
Profit for the year	57.2	-	6,316
Other comprehensive income		-	(41,142)
Dividend paid		-	(19,000)
Group changes		-	(599)
Carrying amount of the jointly controlled entities	57.1.2	-	1,149,726
Fair value adjustment due to change in control stake	57.1.3	-	(498,526)
Fair value of the previously held interest		-	651,200
Elimination of fair value of the previously held interest	57.1.3	-	(651,200)
Balance as at 31 March		-	-

32 Associates

32.1 Company

As at 31 March	2016 No. of shares	2016 Cost Rs. '000	2015 No. of shares	2015 Cost Rs. '000
AgStar PLC	60,213,500	390,184	60,213,500	390,184
Galoya Plantations (Private) Limited	27,267,058	348,702	24,788,235	282,880
PRASAC Micro Finance Institution Limited	16,020,000	3,502,376	10,457,500	3,502,376
Seylan Bank PLC	74,238,665	2,775,115	72,906,885	2,674,765
Sierra Construction (Private) Limited	12,488,250	600,000	12,488,250	600,000
Sierra Holding (Private) Limited	4,494,492	200,000	4,494,492	200,000
		7,816,377		7,650,205

32.2 Group holdings in equity accounted investees

Details of the Group's equity accounted investees at the end of the reporting period are as follows;

	As at 31 March Investee	Investor company	Proportion of ownership interest held by the group 2016 No. of shares	2016 Holding %	2015 No. of shares	2015 Holding %
1	Associated Battery Manufacturers (Ceylon) Limited (ABM)	SFL	2,439,355	38.50%	2,439,355	38.50%
2	AgStar PLC (AFPLC) - Group	LOLC	60,213,500	19.58%	60,213,500	19.58%
		BIL	40,520,061	13.18%	39,270,061	12.77%
		Ajax	-	-	1,250,000	0.41%
		Total AFPLC	100,733,561	32.76%	100,733,561	32.76%
3	Beira Parawood Products (Private) Limited (Beira)	LOIV	1,456,852	26.25%	1,456,852	26.25%
4	Commercial Insurance Brokers (Private) Limited (CIB)	CLC	240,000	40.00%	240,000	40.00%
5	Galoya Plantations Limited (GPL)	LOLC	27,267,058	26.95%	27,267,058	24.50%
		BCL	22,309,412	22.05%	22,309,412	22.05%
		Total GPL	49,576,470	49.00%	49,576,470	46.55%
6	PRASAC Micro Finance Institution Limited (PRASAC)	LOLC	16,020,000	22.25%	10,457,500	22.25%

Notes to the Financial Statements

32.2 Group holdings in equity accounted investees

	As at 31 March Investee	Investor company	Proportion of ownership interest held by the group 2016 No. of shares	2016 Holding %		2015 No. of shares	2015 Holding %
7	Seylan Bank PLC - Group	LOLC	74,238,665	43.93%	(NV)	72,906,796	43.14%
		LOLC	89	-	(V)	89	-
	V - Voting shares	LOIV	16,808,502	9.55%	(V)	16,808,502	9.55%
	NV - Non-voting shares	BCL	24,416,750	13.87%	(V)	24,416,750	13.87%
		Ajax	-	-	(NV)	133,333	0.08%
		CLC	74,261	0.04%	(NV)	74,261	0.04%
		LOITS	1,471,587	0.87%	(NV)	-	-
		Total - V	41,225,341	23.43%		41,225,341	23.43%
		Total - NV	75,784,513	44.85%		73,114,390	43.27%
8	Sierra Construction (Private) Limited (SCPL) - Group	LOLC	12,488,250	9.99%		12,488,250	9.99%
		BIL	12,488,250	9.99%		12,488,250	9.99%
		Total SCPL	24,976,500	19.99%		24,976,500	19.99%
9	Sierra Holdings Limited (SHL) - Group	LOLC	4,494,492	9.99%		4,494,492	9.99%
		BIL	4,494,492	9.99%		4,494,492	9.99%
		Total SHL	8,988,984	19.99%		8,988,984	19.99%
10	Taprobane Holdings PLC - Note 32.5	BIL	-	-		200,587,305	20.00%
11	Taprobane Plantation Limited (TPL)	BIL	22,500	44.94%		22,500	44.94%
12	Virginia International Limited (VIL)	BIL	800,000	40.00%		800,000	40.00%

32.3 The summarised financial information of equity accounted investees for the year ended 31 March 2016 not adjusted for the percentage of ownership held by the group;

		As at 31 March 2016			For the year ended 31 March 2016			
Component	Principal Activities	Total Assets Rs. '000	Total Liabilities Rs. '000	Equity Rs. '000	Income Rs. '000	Expenses Rs. '000	Profit or loss Rs. '000	Other comprehensive income Rs. '000
ABM	Battery manufacturing	1,327,274	583,580	743,694	2,340,979	(2,192,806)	148,173	-
AFPLC	Fertilizer manufacturing	5,513,466	2,996,709	2,516,757	2,314,290	(2,367,166)	(52,876)	61,112
Beira	Brush manufacturing	2,046,409	609,571	1,436,838	2,085,896	(1,781,212)	304,684	-
CIB	Insurance broking	255,774	60,761	195,013	230,254	(208,361)	21,893	(939)
GPL	Sugar plantations	2,385,502	4,476,930	(2,091,428)	1,060,114	(1,955,029)	(894,915)	-
PRASAC	Micro finance	102,082,351	88,424,378	13,657,973	15,827,092	(11,477,198)	4,349,894	-
SBPLC	Banking	316,214,091	291,551,619	24,662,472	29,658,075	(25,764,034)	3,894,041	(2,871,627)
SCPL	Construction	18,760,624	15,038,297	3,722,327	12,455,826	(11,907,783)	548,043	(28,993)
SHL	Investing	31,173,413	23,853,399	7,320,014	17,957,579	(17,314,511)	643,068	147,979
TPL	Entertainment operations	15,611	62,239	(46,628)	111,816	(128,462)	(16,646)	-
VIL	Non-operational	12,199	361	11,838	-	-	-	-
		479,786,714	427,657,844	52,128,870	84,041,921	(75,096,562)	8,945,359	(2,692,468)

32.4 Fair values of equity accounted investees

The Directors' valuation of investments in equity accounted investees has been done on net assets basis. The following associates are listed in the Colombo Stock Exchange and their market value details given below;

	Group			
	2016		2015	
As at 31 March	No. of shares	Market value Rs. 000	No. of shares	Market value Rs. 000
AgStar PLC	100,733,561	463,374	100,733,561	594,328
Seylan Bank PLC - voting shares	41,225,341	3,545,379	41,225,341	4,122,534
Seylan Bank PLC - non-voting shares	75,784,513	4,774,424	73,114,390	4,635,452
Taprobane Holdings PLC	-	-	200,587,305	782,290
		8,783,177		10,134,604

Notes to the Financial Statements

32.5 Divestment of equity accounted investees - Taprobane Holdings PLC

The Group divested its 20% stake in Taprobane Holdings PLC in October 2015 at a of value Rs. 5.50 per share, accepting the mandatory offer made by the major shareholder.

The results of the disposal shown below;

	Note	Group
No of shares held - Rs. '000	32.2	200,587.31
Consideration per share - Rs.		5.50
Total consideration received - Rs. '000		1,103,230
Net assets disposed - Rs. '000	32.6	(1,052,267)
Gain on divestment - Rs. '000		50,963

The gain on divestment recognised in the profit or loss under "Results on acquisition and divestment of Group investments"

32.6 Equity value of investment in equity accounted investees to the group

For the year ended 31 March 2016

	Equity accounted investee Rs. '000	As at 01 April 2015 Rs. '000	Acquisitions / (disposals) Rs. '000	Reclassifications / transfers Rs. '000	Share of profit / (loss) net of tax Rs. '000	Share of OCI never be reclassified to profit or loss Rs. '000	Share of OCI to be classified to P & L Rs. '000	Dividend received Rs. '000	Foreign currency translations Rs. '000	Gain on bargain purchase Rs. '000	As at 31 March 2016 Rs. '000
1	ABM	248,188	-	-	57,047	-	-	(19,515)	-	-	285,720
2	AFPLC	1,038,833	8,348	-	(14,407)	37,414	(92)	(21,291)	-	-	1,048,805
3	Beira	330,148	-	-	79,979	-	-	(29,286)	-	-	380,841
4	CIB	70,955	-	-	9,418	-	-	(1,200)	-	-	79,173
5	GPL	-	65,822	-	(65,822)	-	-	-	-	-	-
6	PRASAC	2,863,767	-	(114,163)	1,569,255	-	-	(89,271)	270,554	-	4,500,142
7	SBPLC	8,134,098	202,369	-	1,264,461	23,045	(954,875)	(307,895)	-	-	8,361,203
8	SCPL	1,133,874	-	-	109,590	1,540	(7,338)	-	-	-	1,237,666
9	SHL	449,004	-	-	128,556	29,762	(179)	(11,056)	-	-	596,087
10	THL	794,983	(1,052,267)	247,684	(43,840)	56,081	(2,641)	-	-	-	-
11	VIL	4,000	-	-	-	-	-	-	-	-	4,000
		15,067,850	(775,728)	133,521	3,094,237	147,842	(965,125)	(479,514)	270,554	-	16,493,637

For the year ended 31 March 2015

	Equity accounted investee Rs. '000	As at 01 April 2014 Rs. '000	Acquisitions / (disposals) Rs. '000	Reclassifications / transfers Rs. '000	Share of profit / (loss) net of tax Rs. '000	Share of OCI never be reclassified to profit or loss Rs. '000	Share of OCI to be classified to P & L Rs. '000	Dividend received Rs. '000	Foreign currency translations Rs. '000	Gain on bargain purchase Rs. '000	As at 31 March 2015 Rs. '000
1	ABM	224,702	-	-	38,122	-	-	(14,636)	-	-	248,188
2	AFPLC	871,400	-	-	71,429	-	107,695	(11,691)	-	-	1,038,833
3	Beira	299,194	-	-	47,903	-	-	(16,949)	-	-	330,148
4	BRAC	339,920	(359,188)	15,554	3,714	-	-	-	-		-
5	CIB	71,413	-	-	2,994	-	(452)	(3,000)	-	-	70,955
6	GPL	-	34,998	-	(34,998)	-	-	-	-	-	-
7	PRASAC	1,841,065	-	-	952,357	-	-	-	70,345	-	2,863,767
8	SBPLC	7,402,627	128,649	-	1,087,605	(222,145)	(16,402)	(285,849)	-	39,613	8,134,098
9	SCPL	1,241,064	-	-	(124,408)	11,132	6,086	-	-	-	1,133,874
10	SHL	422,842	-	-	(5,177)	8,999	22,340	-	-	-	449,004
11	THL	754,089	-	-	34,364	-	6,530	-	-	-	794,983
12	VIL	4,000	-	-	-	-	-	-	-	-	4,000
		13,472,316	(195,541)	15,554	2,073,905	(202,014)	125,797	(332,125)	70,345	39,613	15,067,850

Notes to the Financial Statements

33 Deferred tax assets and liabilities

33.1 Recognised deferred tax assets

Deferred tax assets are attributable to the origination of following temporary differences:

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Property, plant & equipment	(998,094)	(981,714)	(583,166)	(754,190)
Lease receivables	3,313	8,820	-	7,125
Unutilised tax losses	2,537,009	2,408,679	650,971	942,102
Employee benefits	1,147,943	1,221,829	184,863	174,515
General provisions	89,967	168,498	64,041	165,001
Unrealised loss on exchange	37,367	-	-	-
Net deductible temporary difference	2,817,505	2,826,112	316,709	534,553
Total recognised deferred tax assets	490,243	516,785	80	61,120

33.2 Movement in recognised deferred tax assets

For the year ended 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Balance as at 01 April		516,785	313,170	61,120	-
Origination / reversal to the profit or loss		51,226	(28,491)	(61,040)	68,403
Acquisition of subsidiaries		-	220,422	-	-
Directly charged to the equity	33.7	(77,802)	2,266	-	-
Other adjustments / transferrs		34	9,418	-	(7,283)
Balance as at 31 March		490,243	516,785	80	61,120

33.3 Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the origination of following temporary differences:

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Property, plant & equipment	2,648,717	1,829,820	-	-
Revaluation of properties	2,079,290	1,908,424	-	-
Lease receivables	10,248,814	363,715	-	-
Unutilised tax losses	(2,153,527)	(2,668,890)	-	-
Employee benefits	(90,634)	(1,104,601)	-	-
Forward exchange contracts assets	80,304	(15,337)	-	-
Consumer biological assets	3,307,766	6,380,137	-	-
Bearer biological assets	3,578,299	5,726,180	-	-
Net taxable temporary difference	19,699,029	12,419,448	-	-
Total recognised deferred tax liabilities	3,930,668	3,301,907	-	-

33.4 Movement in recognised deferred tax liabilities

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Balance as at 01 April		3,301,907	2,220,836	-	7,283
Originations / reversal to the profit or loss		345,014	279,397	-	-
Acquisition of subsidiaries		-	833,231	-	-
Directly charged to the equity	33.7	171,587	(77)	-	-
Other adjustments / transfers		112,160	(31,480)	-	(7,283)
Balance as at 31 March		3,930,668	3,301,907	-	-

33.5 Deferred tax expense

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Deferred tax assets					
Originations / reversal during the period	33.2	(51,226)	28,491	61,040	(68,403)
Deferred tax liabilities					
Originations / reversal during the period	33.4	345,014	279,397	-	-
		293,788	307,888	61,040	(68,403)

33.6 Unrecognised deferred tax assets for deferred taxation

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in respective group companies against which the Group can utilise the benefits therefrom.

As at 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Unutilised tax losses	8,387,166	6,874,561	-	-
	8,387,166	6,874,561	-	-

Notes to the Financial Statements

33.7 Deferred tax liability charged directly to equity

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Charged to / reversed from					
Deferred tax assets	33.2	77,802	(2,266)	-	-
Deferred tax liabilities	33.4	171,587	(77)	-	-
	15.8	249,389	(2,343)	-	-

According to Sri Lanka Accounting Standard - LKAS 12 “Income Taxes”, deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or in a different period, directly to equity. Accordingly, the deferred tax liability or asset arising on revaluation of Property, Plant & Equipment & Acturial Gain or (Loss) of the Group was charged directly to revaluation reserve and Retained Earnings in the Statement of Changes in Equity in 2016/15.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 12% for leisure Group companies and at rates as disclosed in notes 15.7. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

33.8 Deferred tax assets and liabilities set offs

Net deferred tax assets / liabilities of one entity cannot be set-off against another entity’s assets and liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

34 Intangible assets

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Goodwill on acquisition	34.1	1,981,399	1,889,938	-	-
Other intangible assets	34.5				
Computer software		321,898	298,089	203,810	131,174
License and fees	34.6	11,166	15,894	6,211	8,847
Brand value	34.7	37,914	47,392	-	-
Customer base	34.7	-	-	-	-
Right to generate solar power	34.8	129,669	-	-	-
Total		2,482,046	2,251,313	210,021	140,021

34.1 Goodwill on acquisition

For the year ended 31 March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000
Cost recognised at the point of acquisition	34.2	1,930,175	1,925,137
Effect on currency translation - TPC goodwill	34.4	110,224	23,801
Allowance for impairment		(59,000)	(59,000)
		1,981,399	1,889,938

34.2 Cost of the goodwill recognised at the point of acquisition

As at 31 March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000
Ajax Engineers (Private) Limited		10,390	10,390
BRAC Lanka Finance PLC		400,364	400,364
Ceylon Roots (Private) Limited		46,831	46,831
Commercial Leasing and Finance Company PLC		151,415	151,415
Creations Wooden Fabricators (Private) Limited		8,671	8,671
Excel Restaurant (Private) Limited		20,524	20,524
Palm Garden Hotels PLC		180,299	180,299
Saga Solar Power (Private) Limited	30.6.10	5,038	-
Speed Italia Limited		59,000	59,000
Sun & Fun Resorts (Private) Limited		57,643	57,643
LOLC Cambodia PLC- TPC		990,000	990,000
		1,930,175	1,925,137

Goodwill as at the reporting date has been tested for impairment.

Notes to the Financial Statements

34.3 Effect on currency translation - TPC goodwill

Goodwill arising on the acquisition of TPC (an foreign operation) was treated as an asset of the foreign operation. Thus it was expressed in the functional currency of the foreign operation and translated at the closing rate.

For the year ended 31 March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000
Cost recognised at the point of acquisition	34.2	990,000	990,000
Accumulated effect on currency translation	34.4	110,224	23,801
		1,100,224	1,013,801

34.4 Accumulated effect on currency translation

Balance as at 01 April		23,801	-
Effect on currency translation		86,423	23,801
Balance as at 31 March		110,224	23,801

34.5 Other intangible assets

	Computer software	License and fees	Brand value	Customer base	Right to generate solar power	Total 2015/2016	Total 2014/2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Note		34.6	34.7	34.7	34.8		
Cost							
Balance as at 01 April 2015	678,900	41,423	94,785	49,422	-	864,530	703,708
Additions	154,987	-	-	-	21,874	176,861	139,829
Acquisition of Subsidiaries	-	-	-	-	107,795	107,795	20,993
Balance as at 31 March 2016	833,887	41,423	94,785	49,422	129,669	1,149,186	864,530
Accumulated amortisation and Impairment losses							
Balance as at 01 April 2015	380,811	25,529	47,393	49,422	-	503,155	343,787
Amortisation charged	131,178	4,728	9,478	-	-	145,384	159,368
Balance as at 31 March 2016	511,989	30,257	56,871	49,422	-	648,539	503,155
Carrying amount							
As at 31 March 2016	321,898	11,166	37,914	-	129,669	500,647	-
As at 31 March 2015	298,089	15,894	47,392	-	-		361,375

34.6 License and fees

This includes the license obtained by LOLC Securities Limited (LOSEC) to operate as a registered stock broker in the Colombo Stock Exchange (CSE) in 2010/11 financial period. The useful life was decided as 20 years and amortisation determined accordingly. The cost of the license amounted to Rs. 28,242,784/- and the remaining carrying amount as at 31 March 2016 is Rs. 22,003,907 (31 March 2015 - Rs. 23,416,046)

34.7 Brand value and customer base

These intangible assets were recognised with the acquisition of Commercial Leasing and Finance PLC in May 2008. These intangible assets identified are separable from the goodwill arose on the acquisition and are recognised based on the present value of the future cash flows separately identified for these assets.

The estimated useful lives are as follows;

	Initial estimation	Remaining useful life
Brand value	10 Yrs	4 Yrs
Customer base	5 Yrs	-

34.8 Right to generate solar power

The right represents amount paid to purchase an exclusive right to generate solar electric power. Group will amortise this right over 20 years on a straight line basis beginning from the year of commercial operations.

34.9 Other intangible assets

Company	Computer software Rs.'000	License and fees Rs.'000	Total 2015/2016 Rs.'000	Total 2014/2015 Rs.'000
Cost				
Balance as at 01 April 2015	317,565	13,180	330,745	290,993
Additions	137,089	-	137,089	39,752
Balance as at 31 March 2016	454,654	13,180	467,834	330,745
Accumulated Amortisation and Impairment losses				
Balance as at 01 April 2015	186,391	4,333	190,724	148,717
Amortisation during the year	64,453	2,636	67,089	42,007
Balance as at 31 March 2016	250,844	6,969	257,813	190,724
Carrying Amount				
As at 31 March 2016	203,810	6,211	210,021	
As at 31 March 2015	131,174	8,847		140,021

Notes to the Financial Statements

35 Property, plant and equipment

Group	Freehold lands	Leasehold lands	Freehold buildings	Leasehold buildings	Freehold motor vehicles	Leasehold motor vehicles	Furniture & fittings
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/ valuation							
Balance as at 01 April	12,324,649	402,773	5,961,046	361,108	2,425,724	946,846	1,464,070
Additions / acquisition of subsidiairies	634,310	286,799	934,515	64,945	285,238	1,139,835	116,534
Revaluations	1,367,064	-	493,072	-	-	-	-
Disposal	(101,422)	(125,000)	(147,484)	(137)	(312,287)	(9,426)	(12,682)
Transfers / WIP transfers	(153,000)	-	187,845	(587)	414	152,534	(1,268)
Balance as at 31 March	14,071,601	564,572	7,428,994	425,329	2,399,089	2,229,789	1,566,654
Accumulated depreciation and impairment losses							
Balance as at 01 April		88,134	563,021	145,882	1,526,186	128,496	744,355
Charge for the year		10,638	194,466	31,228	164,990	80,601	168,762
Depreciation on revaluations		-	(100,854)	-	-	-	-
Acquisition of subsidiairies		-	-	-	-	-	-
Depreciation on disposals / transfers		(2,730)	(48,958)	2,005	(208,749)	4,512	(11,517)
Depreciation on transfers		-	-	140	3,207	15,989	51
Balance as at 31 March		96,042	607,675	179,255	1,485,634	229,598	901,651
As at 31 March 2016	14,071,601	468,530	6,821,319	246,074	913,455	2,000,191	665,003
As at 31 March 2015	12,324,649	314,639	5,398,025	215,226	899,538	818,350	719,715

Office equipment	Computers	Freehold plant & machinery	Leasehold machinery	Assets on operating leases	Other tangible assets	Immovable (JEDB/ SLSPC) Assets on finance lease (Other than bare land)	Capital work-in-progress (CWIP)	Total 2015/16	2014/15
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
					35.1	35.2			
914,737	842,593	1,699,936	46,167	561,567	1,643,064	171,588	3,258,524	33,024,392	24,952,398
260,820	227,949	96,401	-	4,701	10,416	-	2,540,901	6,603,364	7,696,669
-	-	-	-	-	-	-	-	1,860,136	206,378
(5,793)	(8,910)	(1,034)	-	-	-	-	(30,857)	(755,032)	(645,770)
(8,725)	134,812	2,600	(321)	(152,534)	126,043	-	(695,747)	(407,934)	814,718
1,161,039	1,196,444	1,797,903	45,846	413,734	1,779,523	171,588	5,072,821	40,324,926	33,024,393
596,392	542,249	968,833	2,157	204,676	391,819	157,996		6,060,196	3,442,044
138,829	180,776	128,861	3,438	33,374	117,148	4,960		1,258,071	903,258
-	-	-	-	-	-	-		(100,854)	(2,909)
-	-	-	-	-	(23,469)	-		(23,469)	1,946,595
(4,780)	(12,169)	(33,729)	(278)	(17,325)	(91,333)	-		(425,051)	(367,620)
(1,991)	887	-	-	(15,989)	-	-		2,294	138,827
728,450	711,743	1,063,965	5,317	204,736	394,165	162,956		6,771,187	6,060,195
432,589	484,701	733,938	40,529	208,998	1,385,358	8,632	5,072,821	33,553,739	
318,345	300,344	731,103	44,010	356,891	1,251,245	13,592	3,258,524		26,964,198

Notes to the Financial Statements

35.1 Other tangible assets

	Water sanitation & others Rs. '000	Roads & bridges Rs. '000	Penstock pipe line Rs. '000	Security fences Rs. '000	Cutlery, crockery & glassware Rs. '000	Linen & furnishing Rs. '000	Swimming pool Rs. '000	Bare lands Rs. '000	Others Rs. '000	Total Rs. '000
Cost/ valuation										
Balance as at 01 April 2015	25,710	151,256	253,254	4,080	14,470	74,164	85,767	313,567	720,796	1,643,064
Additions / acquisition of subsidiaries	978	246	(34,898)	-	4,572	5,477	47,846	-	(13,805)	10,416
Disposals/ transfers	-	448	42,640	-	-	(81)	-	-	83,036	126,043
Balance as at 31 March 2016	26,688	151,950	260,996	4,080	19,042	79,560	133,613	313,567	790,027	1,779,523
Accumulated depreciation										
Balance as at 01 April 2015	14,309	18,228	44,417	3,497	5,406	47,722	12,245	134,782	111,213	391,819
Charge for the year	1,016	3,095	17,599	328	2,508	12,242	13,399	5,916	61,045	117,148
Acquisition of subsidiaries / disposals/ transfers	-	-	-	-	-	(75)	(23,394)	-	-	(23,469)
Depreciation on disposals / transfers	-	-	(38,219)	-	188	415	6,187	-	(59,904)	(91,333)
Balance as at 31 March 2016	15,325	21,323	23,797	3,825	8,102	60,304	8,437	140,698	112,354	394,165
Carrying Amount										
Balance as at 31 March 2016	11,363	130,627	237,199	255	10,940	19,256	125,176	172,869	677,673	1,385,358
Balance as at 01 April 2015	11,401	133,028	208,837	583	9,064	26,442	73,522	178,785	609,583	1,251,245

35.1.1 Revaluation of land and buildings

Accounting judgements,estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was carried out on 31 March 2016.

The changes in fair value recognised in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property. Details of Group's land, building and other properties stated at valuation are indicated below;

Summary description of valuation methodologies

Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Direct capital comparison method (DCC)

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalised value of the property is fixed by direct comparison with capitalised value of similar property in the locality.

Contractors method (CM)

The replacement cost (contractor's) method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components: the depreciated cost of the building element and the market value of the land. Current build costs and often the land price will be established by comparison.

Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques

35.1.2 Carrying value of fully depreciated assets

Group property, plant and equipment with a cost of Rs. 2,144 Mn (2014/15 – Rs. 1,851 Mn) have been fully depreciated and continue to be in use by the Group.

35.1.3 Temporarily idle property, plant and equipment

35.1.4 Property, plant and equipment retired from active use

There were no property, plant and equipment retired from active use as at the reporting date (2014/15: Nil)

35.1.5 Title restriction on property, plant and equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2016.

35.1.6 Property, plant and equipment pledged as security for liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than those disclose in Note 49 to these financial statements.

35.1.7 Compensation from third parties for items of property, plant and equipment

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2014/15: Nil).

35.1.8 Borrowing cost capitalisation

Borrowing Costs amounting to Rs 151 Mn (2014/15 - Rs 87 Mn) incurred on borrowings obtained to finance the acquisition, construction or production of qualifying asset, which takes substantial period of time to get ready for its intended use or sale, have been capitalised during the year. The borrowing cost capitalisation will be ceased when the respective asset is ready for use.

Notes to the Financial Statements

35.2 Immovable (JEDB/SLSPC) estate assets on finance lease (other than bare land)

Group	Improvements to lands	Vested plantations	Buildings	Machinery	Water sanitation	Roads and bridges	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalised value							
Balance as at 31 March 2015	7,461	113,366	27,872	16,383	501	6,005	171,588
Balance as at 31 March 2016	7,461	113,366	27,872	16,383	501	6,005	171,588
Accumulated amoritsation							
Balance as at 01 April 2014	5,384	98,565	27,872	16,331	206	4,683	153,041
Charged for the period	249	4,535	-	6	9	156	4,955
Balance as at 31 March 2015	5,633	103,100	27,872	16,337	215	4,839	157,996
Charged for the period	249	4,535	-	11	9	156	4,960
Balance as at 31 March 2016	5,882	107,635	27,872	16,348	224	4,995	162,956
Carrying Amount							
Balance as at 31 March 2015	1,828	10,266	-	46	286	1,166	13,592
Balance as at 31 March 2016	1,579	5,731	-	35	277	1,010	8,632

Leasehold Rights to Bare Land of JEDB/SLSPC Estates

Lease agreements of all JEDB/SLSPC estates handed over to the Group's Sub Subsidiaries (Maturata Plantations Limited and Pussellawa Plantations Limited) have been executed to date. All of these leases are retroactive to 15th/22nd June 1992, the dates of formation of the Group's Sub Subsidiaries. The leasehold rights to the bare land on all of these estates have been taken into the books of the Group's Sub Subsidiaries on 15th/22nd June 1992, immediately after formation of the Group's Sub Subsidiaries, in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, Board of the Group's Sub Subsidiaries decided at its meetings that lease bare land would be revalued at the value established for this land by Valuation Specialist Dr. D. R. Wickramasinghe just prior to the formation of the Group's Sub Subsidiaries. The values as at 22nd June 1992 and 15th June 1992 were taken in to the books of Maturata Plantations Limited and Pussellawa Plantations Limited respectively.

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

The right to use bare land on lease of JEDB/SLSPC estates is being amortised by equal amounts over a 53 year period and the unexpired period of the lease as at the financial reporting date is 29.50 years.

35 Property, plant and equipment

	Freehold lands	Freehold buildings	Freehold motor vehicles	Leasehold motor vehicles	Furniture & fittings	Office equipment	Computers	Assets on operating leases	Capital work-in-progress (CWIP)	Total 2015/16	Total 2014/15
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/valuation											
Balance as at 01 April	1,650,434	541,433	1,337,972	103,899	388,288	412,271	480,777	302,080	344,155	5,561,309	5,333,338
Additions	632,126	-	116,844	-	42,098	70,505	103,248	-	244,210	1,209,031	637,761
Revaluations	-	-	-	-	-	-	-	-	-	-	-
Disposals	(85,000)	(52,000)	(188,754)	-	(2,435)	(167)	(296)	-	(24,161)	(352,813)	(409,790)
Transfers	-	7,165	-	-	(827)	-	134,900	-	(248,363)	(107,125)	-
Balance as at 31 March 2016	2,197,560	496,598	1,266,062	103,899	427,124	482,609	718,629	302,080	315,841	6,310,402	5,561,309
Accumulated Depreciation and impairment losses											
Balance as at 01 April		14,556	756,356	35,421	251,023	269,755	306,936	127,459		1,761,506	1,787,093
Charge for the year		15,457	34,827	5,195	48,616	58,573	121,277	9,713		293,658	264,717
Depreciation on disposals		(2,733)	(120,772)	-	(2,395)	(9)	(232)	-		(126,141)	(290,344)
Depreciation on transfers		-	-	-	(27)	-	27	-		-	40
Balance as at 31 March 2016		27,280	670,411	40,616	297,217	328,319	428,008	137,172		1,929,023	1,761,506
Carrying Amount											
As at 31 March 2016	2,197,560	469,318	595,651	63,283	129,907	154,290	290,621	164,908	315,841	4,381,379	
As at 31 March 2015	1,650,434	526,877	581,616	68,478	137,265	142,516	173,841	174,621	344,155		3,799,803

35.3 Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 740.66 Mn as at 31st March 2016 (2014/15 - Rs. 623.17 Mn).

35.4 The fair value of the revalued properties were determined by Mr. P W Senaratne, independent valuer who holds recognised and relevant professional qualification and have recent experience in the location and category of the revalued properties.

Date of the revaluation	31-03-2014
Method of determining fair value	Sales comparison

There is no significant difference in fair value of properties from 31 March 2015 to 31 March 2016.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

Notes to the Financial Statements

35.5 Changes in estimates

The company re-estimated the realisable value and useful economic life of all its motor vehicles as at the reporting date. The financial impact on change in realisable value was taken into financial year of 2012-2013 and impact on change in economic life will be considered from 1st April 2014 onwards.

As at 31 March	2014/15	2015/16	2016/17	'Later
Effect of change to depreciation	82,000,000	82,000,000	82,000,000	-

35.6

The following table shows the valuation techniques used in measuring the fair value of significant properties of the group, as well as the significant unobservable inputs used.

Valuation technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Sales comparison method - value derived based on recent transactions of similar properties	'Per perch value Colombo Region - Rs. 0.425 Mn to 7.1 Mn Southern Coast Region - Rs. 0.2 Mn - to Rs. 0.9 Mn	'The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
Depreciated replacement cost method	'Value per square feet determined based on similar properties value, depreciated for period used and adjusting acquisition cost	'The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

36 Trading liabilities

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Derivative liabilities				
Forward rate agreements	17,859	501,490	-	1,203
	17,859	501,490	-	1,203

37 Deposits liabilities

37.1 Deposits from customers

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Fixed deposits	68,662,288	47,274,892	-	-
Saving / demand deposits	2,746,270	1,433,012	-	-
Interest / profits payable	2,757,174	1,879,335	-	-
	74,165,732	50,587,239	-	-

38 Interest bearing borrowings

As at 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Commercial papers & promisory notes		7,599,618	1,004,966	7,596,559	991,531
Short-term loans and others		64,186,927	48,930,616	15,755,903	14,550,288
Debentures	38.1	15,090,000	11,306,283	5,140,000	6,250,000
Finance lease liabilities	38.2	1,552,068	1,148,912	115,074	234,548
Long-term borrowings	38.3	117,345,550	50,722,815	6,407,280	2,634,812
		205,774,163	113,113,592	35,014,816	24,661,179

38.1 Information on group's listed debentures

38.1.1 Interest rate of comparable government security

Buying and selling prices of treasury bond at the auction held on 27 March 2016.

As at 31 March	Buying		Selling	
	Price	Yield	Price	Yield
4 Year Bond	89.14	11.49%	89.88	11.26%
5 Year Bond	91.87	11.92%	92.89	11.64%

Notes to the Financial Statements

38.1.2 Market prices and yield during the year (ex-interest)

As at 31 March	Market yield Price	Market price Yield
4 Year Bond	8.38%	99.89
5 Year Bond	8.83%	99.63
Debt to equity	1.08 times	
Interest cover	1.26 times	
Quick asset ratio	0.60 times	

38.2 Finance lease liabilities

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
JEDB/SLSPC estates lease liabilities	38.2.1	287,004	292,830	-	-
Other lease liabilities	38.2.2	1,265,064	856,082	115,074	234,548
		1,552,068	1,148,912	115,074	234,548

38.2.1 JEDB/SLSPC estates lease liabilities

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Gross liability				
Balance as at 1st April	508,828	-	-	-
On acquisition of subsidiaries	-	508,828	-	-
Repayments	(17,859)	-	-	-
Balance as at 31st March	490,969	508,828	-	-
Finance costs allocated to future years	(203,965)	(215,998)	-	-
Net liability	287,004	292,830	-	-
Payable within one year				
Gross liability	16,744	16,744	-	-
Finance costs allocated to future years	(11,418)	(11,623)	-	-
Net liability transferred to current liabilities	5,326	5,121	-	-
Payable within two to five years				
Gross liability	66,976	66,976	-	-
Finance costs allocated to future years	(43,454)	(44,359)	-	-
Net liability	23,522	22,617	-	-
Payable after five years				
Gross liability	407,249	425,108	-	-
Finance costs allocated to future years	(149,093)	(160,016)	-	-
Net liability	258,156	265,092	-	-

Pussellawa Plantations Limited and Maturata Plantations Limited

The lease rental have been amended, with effect from 21st June 1996 to a substantially higher amount than the previous nominal lease rental of Rs. 500 per estate per annum.

The basic rental payable under the revised basis is Rs.16.74 Mn per annum and this amount is to be inflated annually by the Gross Domestic Production (GDP) Deflator and is in the form contingent lease rental. Consequently, contingent lease rentals charged for the current year in the income statement amounts to Rs. 39.67 Mn.

This lease agreement was further amended on 21st June 2002, freezing annual lease rental at Rs. 22.93 Mn for a period of six years commencing from 21st June 2002. Hence, the GDP Deflator adjustment had been frozen at Rs. 6.184 Mn per annum until 21st June 2008.

Lease rental has been revised by the Ministry of Finance after the relief period of 2002-2008. The rental has been computed in accordance with Amendment of Leases.

Gross contingent rental in respect of leasehold right to bear land for the remaining 30.25 Years of the lease term at the current contingent rental is estimated as Rs. 524.75 Mn.

38.2.2 Other lease liabilities

For the year ended 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Gross lease rentals payable as at 01 April	896,554	569,100	272,930	416,265
Leases obtained during the year	870,093	491,738	-	5,117
On acquisition of subsidiaries	-	55,464	-	-
Lease rentals paid during the year	(289,918)	(219,748)	(143,906)	(148,453)
Gross lease rentals payable as at 31 March	1,476,729	896,554	129,024	272,929
Less: Unamortised finance cost	(211,665)	(40,472)	(13,950)	(38,381)
Net lease liability	1,265,064	856,082	115,074	234,548
Repayable within one year				
Gross lease rentals payable	465,067	357,939	-	143,920
Less: Unamortised finance cost	(98,678)	(37,640)	-	(24,432)
Net lease liability	366,389	320,299	-	119,488
Repayable after one year before five years				
Gross lease rentals payable	1,011,662	538,615	-	129,010
Less: Unamortised finance cost	(112,987)	(2,832)	-	(13,950)
Net lease liability	898,675	535,783	-	115,060

Notes to the Financial Statements

38.3 Long-term borrowings

For the year ended 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Gross balance as at 01 April		50,845,066	43,012,914	2,855,375	2,351,847
Received during the year		89,261,715	17,876,596	5,405,524	1,805,748
Acquisition of subsidiaries	30.6.3	2,184	15,179,594	-	-
Repaid during the year		(22,218,903)	(25,224,038)	(1,823,826)	(1,484,000)
Gross borrowings as at 31 March		117,890,062	50,845,066	6,437,073	2,673,595
Less: Unamortised finance cost		(544,512)	(122,251)	(29,793)	(38,783)
Balance as at 31 March		117,345,550	50,722,815	6,407,280	2,634,812
		-			
Long-term borrowings - current		38,480,382	19,734,233	1,835,843	774,474
Long-term borrowings - non-current		78,865,168	30,988,582	4,571,437	1,860,338
Total		117,345,550	50,722,815	6,407,280	2,634,812
Analysis of non-current portion of long-term borrowings					
Repayable within 3 years		57,193,489	27,128,266	4,571,437	1,844,635
Repayable after 3 years		21,671,679	3,860,316	-	15,703
Total		78,865,168	30,988,582	4,571,437	1,860,338

39 Insurance contract liabilities

As at 31 March	Note	Group 2016 Rs. '000	Group 2015 Rs. '000
Life insurance contracts	39.1	1,519,563	774,865
Non-life insurance contracts	39.2	2,136,529	1,595,644
Total insurance contract liabilities		3,656,092	2,370,509

The company has satisfied liability adequacy test in both life & general insurance businesses.

39.1 Life insurance contract liabilities

As at 31 March	Group					
	2016			2015		
	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Shares	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April	780,752	(21,652)	759,100	288,611	(16,817)	271,794
Premiums received	1,411,820	(74,833)	1,336,987	700,448	(21,074)	679,374
Claims incurred	(99,330)	17,458	(81,872)	(62,414)	14,094	(48,320)
Fees deducted	(207,462)	9,112	(198,350)	(73,709)	3,125	(70,584)
Investment return	148,504	-	148,504	48,706	-	48,706
Expenses	(610,157)	-	(610,157)	(421,350)	-	(421,350)
Gratuity - actuarial gain/(loss)	1,228	-	1,228	(1,349)	-	(1,349)
Net gain / (loss) on available-for-sale assets - life policyholders	(109,824)	-	(109,824)	22,374	-	22,374
Life deficit transfer	245,932	-	245,932	278,455	-	278,455
	1,424,127	(69,915)	1,491,548	480,292	(20,672)	759,100
Claims outstanding	28,015	-	28,015	15,765	(4,519)	11,246
At 31 March	1,452,142	(69,915)	1,519,563	496,057	(25,191)	770,346

39.2 Non-life insurance contract liabilities

As at 31 March	Note	Group					
		2016			2015		
		Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Shares	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April							
Provision for reported claims	39.3	509,740	76,942	586,682	377,342	(52,142)	325,200
IBNR		207,025	-	207,025	91,134	-	91,134
Outstanding claims provision		716,765	76,942	793,707	468,476	(52,142)	416,334
Commission reserves		(51,001)	80,214	29,213	47,517	(35,533)	11,984
Provision for unearned premiums	39.4	1,657,684	(267,133)	1,390,551	1,214,993	(164,172)	1,050,821
Total non-life contract liabilities		2,323,448	(109,977)	2,213,471	1,730,986	(251,847)	1,479,139

Notes to the Financial Statements

39.3 Outstanding claims provision

As at 31 March	Group 2016 Insurance contract liabilities Rs. '000	Group 2016 Reinsurance of liabilities Rs. '000	Group 2016 Net Rs. '000	Group 2015 Insurance contract liabilities Rs. '000	Group 2015 Reinsurance of liabilities Rs. '000	Group 2015 Net Rs. '000
At 01 April	377,342	52,142	325,200	274,434	27,784	246,650
Claims incurred in the current accident year	1,356,507	143,510	1,212,997	846,344	81,652	764,692
Claims paid during the year	(1,224,109)	(118,710)	(1,105,399)	(743,436)	(57,294)	(686,142)
Total non-life contract liabilities	509,740	76,942	432,798	377,342	52,142	325,200

As at 31 March	Group 2016 Insurance contract liabilities Rs. '000	Group 2016 Reinsurance of liabilities Rs. '000	Group 2016 Net Rs. '000	Group 2015 Insurance contract liabilities Rs. '000	Group 2015 Reinsurance of liabilities Rs. '000	Group 2015 Net Rs. '000
At 01 April	(35,533)	47,517	11,984	17,101	(29,475)	(12,374)
Change in commission reserves	(15,468)	32,697	17,229	30,416	(6,058)	24,358
Total non-life contract liabilities	(51,001)	80,214	29,213	47,517	(35,533)	11,984

39.4 Provision for unearned premiums

As at 31 March	Group 2016 Insurance contract liabilities Rs. '000	Group 2016 Reinsurance of liabilities Rs. '000	Group 2016 Net Rs. '000	Group 2015 Insurance contract liabilities Rs. '000	Group 2015 Reinsurance of liabilities Rs. '000	Group 2015 Net Rs. '000
At 01 April	1,214,993	(164,172)	1,050,821	951,550	(68,433)	883,117
Premiums written in the year	2,805,846	(469,084)	2,336,762	2,054,181	(329,475)	1,724,706
Premiums earned during the year	(2,363,155)	366,123	(1,997,032)	(1,790,738)	233,736	(1,557,002)
At 31 March	1,657,684	(267,133)	1,390,551	1,214,993	(164,172)	1,050,821

40 Current tax payables

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Income tax payables	1,251,639	1,221,261	84,563	24,375
VAT payables	664,399	300,093	218,989	162,957
WHT payables	45,292	22,237	2,625	43
ESC payables	499	945	-	-
NBT payables	22,802	17,652	-	-
Other tax payables (stamp duty etc...)	99,906	73,539	16,597	6,526
	2,084,537	1,635,727	322,774	193,901

41 Trade and other payables

As at 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Financial liabilities					
Trade payables		4,049,471	2,245,912	75,309	61,743
Creditors for leased equipment		2,878,370	2,525,149	-	-
Amount due to related companies	50.3.2	109,087	89,744	689,473	1,954,616
Insurance premium payable		198,403	57,025	-	-
Other financial liabilities		1,963,461	1,668,619	311,208	279,431
		9,198,792	6,586,449	1,075,990	2,295,790
Non-financial liabilities					
Unclaimed dividends		106,631	74,466	2,296	2,304
Accrued expenses		1,525,052	994,349	-	-
Other non-financial liabilities		742,194	419,532	37,149	29,223
		2,373,877	1,488,347	39,445	31,527
		11,572,669	8,074,796	1,115,435	2,327,317

Notes to the Financial Statements

42 Deferred income

	Capital grants	Operating lease receivables - PHDT	Transfer of shares	Income received in advance Shares	Total 2015 / 2016	Total 2014 / 2015
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Note	42.1	42.2	42.3			
Group						
Gross deferred income						
Balance as at 01 April 2015	748,102	12,424	63,994	43,689	868,209	34,739
Acquisition of subsidiaries	-	-	-	-	-	824,520
Deferred Income received	77,976	-	-	-	77,976	8,950
Balance as at 31 March 2016	826,078	12,424	63,994	43,689	946,185	868,209
Accumulated amortisation						
Balance as at 01 April 2015	212,892	5,177	7,746	34,739	260,554	23,349
Acquisition of subsidiaries	-	-	-	-	-	225,815
Amortised to profit & loss	29,596	537	4,477	-	34,610	11,390
Balance as at 31 March 2016	242,488	5,714	12,223	34,739	295,164	260,554
Carrying amount						
As at 31 March 2016	583,590	6,710	51,771	8,950	651,021	
As at 31 March 2015	535,210	7,247	56,248	8,950	607,655	607,655

42.1 Capital grants

The above capital grants represent the following;

1 Funds received from the Plantation Housing and Human Development Trust (PHDT), MTIP, MPI for the development of workers welfare facilities and improvements to institutional facilities.

2 Funds received from the Plantation Reform Project for the development of Forestry Plantations.
The amounts spent is capitalised under the relevant classification of Property, Plant and Equipment. The corresponding grant component is reflected under Deferred Income and is being amortised over the useful life span of the related asset.

Grant related to the biological assets which are measured at fair value less point to sell cost is directly charged to the carrying value of such assets in accordance with the Sri Lanka Accounting Standards.

42.2 Operating lease receivables - PHDT

Premises at St.Andrew's Drive in Nuwara Eliya has been leased out to Plantation Human Development Trust for a period of 20 years commencing from August'2005 at a total lease rental of Rs. 5.36 Mn.

Lease Rentals received are deferred and amortised over the lease period commencing from August 2005.

The timing of future operating lease rentals are as follows;

As at 31 March	2016 Rs. '000	2015 Rs. '000
Less than one year	537	537
Between one and five years	2,147	2,147
More than five years	4,026	4,563
	6,710	7,247

42.3 Deferred income in respect of transfer of shares- Maturata Plantations PLC

This represents the value of 6,399,375 number of shares received by Maturata Plantations Limited originally equivalent to 20% of the issued Ordinary Shares of RFELL at Rs.10/-each in lieu of releasing the leasehold rights of 488 Hectares in Enselwatte , Deniyaya for Eco Tourism Project. The value of Ordinary Shares are deferred and amortised over the unexpired balance lease period. However, due to the rights issue shareholdings percentage has come down from 20% to 14.5% subsequently.

43 Retirement benefit obligations

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Balance as the beginning of the period		2,518,644	355,199	174,515	149,112
Acquisition of subsidiaries		-	2,097,673	-	-
Disposal of subsidiaries	30.7.1	(895)	-	-	-
Benefits paid by the plan		(284,887)	(29,576)	(4,630)	(5,181)
Expenditure recognised in the income statement	43.1	351,302	82,331	33,917	30,527
Re-measurement recognised in OCI		(520,882)	13,017	(18,939)	57
Balance as at the end of the period		2,063,282	2,518,644	184,863	174,515

43.1 Expense recognised in the income statement

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Current service costs	155,701	46,455	17,338	16,361
Interest costs	195,601	35,876	16,579	14,166
	351,302	82,331	33,917	30,527

Notes to the Financial Statements

43.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date;

For the year ended 31 March		Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Discount rate	%	10% - 11%	9.5% - 10.5%	11%	9.50%
Future salary increases	%	5% - 10%	5% - 10%	9%	9%
Staff turnover factor	%	5% - 10%	5% - 10%	2.5% -15%	2.5% -15%
Retirement age	Yrs	55-60	55-60	55	55

43.3 Sensitivity of the actuarial assumptions

For the year ended 31 March		2016		2015	
Assumption	Rate change	Financial position - liability Rs.'000	Comprehensive income - charge for the period Rs.'000	Financial position - liability Rs.'000	Comprehensive income - charge for the period Rs.'000
Group					
Discount rate	+1	(121,908)	121,908	(185,490)	185,490
	-1	143,584	(143,584)	212,575	(212,575)
Future salary increases	+1	87,459	(87,459)	214,252	(214,252)
	-1	(83,278)	83,278	(185,533)	185,533
Company					
Discount rate	+1	(11,816)	11,816	(12,284)	12,284
	-1	13,321	(13,321)	13,952	(13,952)
Future salary increases	+1	15,882	(15,882)	14,814	(14,814)
	-1	(14,226)	(14,226)	(13,245)	13,245

Mortality	-	GA 1983 mortality table
Disability	-	Long-term disability 1987 Soc. Sec. Table
Retirement age	-	Normal retirement age, or age on valuation date, if greater

44 Stated capital

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Issued and fully paid	44.1	475,200	475,200	475,200	475,200
No. of shares	44.2	475,200	475,200	475,200	475,200

All shares rank equally with regard to the company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the company.

For the year ended 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
44.1 Movement in stated capital				
Balance at the beginning of the period	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	475,200	475,200	475,200	475,200
44.2 Movement in no. of shares				
Balance at the beginning of the period	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	475,200	475,200	475,200	475,200

Notes to the Financial Statements

45 Reserves

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Revaluation reserve	45.1	3,434,185	2,932,414	1,283,286	1,300,116
Cash flow hedge reserve	45.2	218,241	(102,894)	-	719
Fair value reserve on AFS	45.3	(1,105,365)	244,963	165,032	266,963
Translation reserve	45.4	929,777	327,120	-	-
Future taxation reserve	45.5	205,000	205,000	205,000	205,000
Statutory reserve fund	45.6	1,754,358	1,697,783	-	-
		5,436,196	5,304,386	1,653,318	1,772,798

Nature and purpose of reserves

45.1 Revaluation reserve

The revaluation reserve relates to the revaluation surplus of Property, Plant and Equipment . Once the respective revalued items have been disposed, the relevant portion of revaluation surplus if any is transferred to retained earnings.

45.2 Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in fair value hedges pending subsequent recognition of the hedged cash flows.

45.3 Fair value reserve on AFS

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

45.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

45.5 Future taxation reserve

This reserve was created in order to accommodate unexpected future tax liabilities that might arise at a future date.

45.6 Statutory reserve fund

The statutory reserve fund of the LOLC Micro Credit Limited involved in leasing business was created according to the Direction No. 05 of 2006 issued by the Central Bank of Sri Lanka under the Section 34 of the Finance Leasing Act No. 56 of 2000 which requires the Companies to transfer 5% of their annual profits to this reserve until the sum equals to Share Capital of those Companies.

The Statutory reserves of Lanka ORIX Finance PLC and Commercial Leasing and Finance PLC were created in accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued under the Finance Business Act No. 42 of 2011 (which supercedes the Finance Companies Act No. 78 of 1988) which requires the Company to transfer 20% of its annual profit to this reserve.

46 Retained earnings

The carrying amount of the retained earnings represents the undistributed earnings held by the Group and the Company. This could be used to absorb future losses and dividend declaration.

47 Commitments and contingencies

As at 31 March

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

To meet the financial needs of customers and subsidiaries, the Company/ Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letter of credit and other undrawn commitments to lend. Letter of credit, guarantees and acceptance commit the group to make payments on behalf of customers or subsidiaries in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Operating lease commitments of the Group (as a lessor and as a lessee) form part of commitments and pending legal claims against the Group form part of contingencies.

Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the group as disclosed in Note 55.

In the normal course of business, the group makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognised on the date of the Statement of Financial Position, they do contain credit risk and are therefore form part of the overall risk profile of the group.

47.1 Contingent liabilities

For the year ended 31 March	Note	Group		Company	
		2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Guarantees issued to banks and other institutions		916,415	1,743,465	379,026	133,269
Corporate guarantees given to subsidiaries to obtain loans		12,568,730	9,869,545	5,751,770	5,231,770
Stumpage payables	47.1.1	50,800	50,800	-	-
Derivative liability		84,959	-	29,471	-
		13,620,904	11,663,810	6,160,267	5,365,039

Notes to the Financial Statements

47.1.1 Stumpage payables - Pussellawa Plantations Limited

Forest Department has imposed Rs. 50.8 Mn as the stumpage payable to the Government by Pussellawa Plantations Ltd for harvesting of Forest Department's Pines Trees at Delta Estate by the Timber Lake Company. However, the Company has requested Forest Department to re-consider the stumpage calculation, as the said fee is more than the market value of the Timber and is not keeping in line with the Supreme Court judgment. Therefore, the amount of liability and the date of liability are uncertain and will depend on the response of the Forest Department.

47.2 Commitments

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Forward exchange contracts	47.2.1	22,298,597	19,099,453	27,843	82,194
Capital commitments	47.2.2	7,647,189	7,837,134	-	-
Letter of credits opened		232,831	130,479	-	99,330
Facility limits not utilised		13,246,413	6,997,381	-	-
Operating lease commitments	47.2.3	4,937,218	70,811	51,899	45,816
		48,362,248	34,135,258	79,742	227,340

47.2.1 On the commitment for forward exchange contracts, the Group will receive USD 123,216,497, Euro 10,718,003, GBP 1,700,000 AUD 4,274,001 and the Company will receive USD 416,666 and Euro 185,000 on the conversion.

47.2.2 Capital commitments

The Group has commitments for acquisition of property, plant & equipment and intangible assets incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows:

As at 31 March	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
Capital commitments				
Approved and contacted for	6,314,778	7,837,134	-	-
Approved but not contacted for	1,332,411	-	-	-
	7,647,189	7,837,134	-	-

Samudra Beach Resorts (Private) Limited

Samudra Beach Resorts (Pvt) Ltd. has entered into an agreement for a contract with Sierra Civil Engineering (Pvt) Ltd. as a designing and building contractor to construct a 4-Star Hotel at Kosgoda. The total cost was estimated to be Rs. 2,550 Mn. out of which Rs. 1,912 Mn already incurred.

Riverina Resorts (Private) Limited

Riverina Resorts (Private) Limited is in the process of putting up a 475 key, 5 star, 20 Acre Resort situated in Golden Mile Bentota. The total cost was estimated to be Rs. 7,200 Mn. out of which Rs. 1,560 Mn already incurred.

Saga Solar Power (Private) Limited

Saga Solar Power (Private) Limited has entered into an agreement for a contract with Salon India (Pvt) Ltd to construct a 10MW Solar Power Project at Baruthankanda Village in Hambantota. The total cost was estimated to be Rs. 2,500 Mn. out of which Rs. 1,076 Mn already incurred.

47.2.3 Operating lease commitments

The Group leases a number of Land, branch and office premises under operating leases. The leases generally run for a period of 10-50 years. The future minimum lease payments under non-cancellable operating leases, payable based on the maturity of the Lease Contracts as at 31st March are as follows:

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Less than one year	369,216	35,667	28,670	21,725
Between one and five years	654,531	35,144	23,229	24,091
More than five years	3,913,471	-	-	-
	4,937,218	70,811	51,899	45,816

47.3 Contractual commitments

Maturata Plantations Limited

The Company has entered into an agreement with Ms. Whight & Company Ceylon (Private) Limited (WCCL) for a period from 01st April 2013 to June 2045 in respect of the followings;

1 To hand over the possession of “C” category fields (uneconomical) not less than 50 hectares per estate and in addition uncultivated land not less than 50 hectares per estate of Alma, Bramley, Gonapitiya, High Forest, Kabaragalla, Mahacoodagalla, Maha Uva and Maturata Estates in High Grown region for the purpose of growing coffee plantations as a Mono Crop and Inter Planting. MPL is entitled for annual audited net profit share of 20%.

2 To hand over the possession of an abandon tea factory called “Merigold Factory” to WCCL for the operation of Coffee Project for an annual rental of Rs. 300,000/- subject to 10% increase once in every 10 years. The repairs and improvements to the factory will be at the expense of WCCL.

3 "To rent out Superintendent’s Bungalow of Mahacoodagalla Estate to WCCL for an annual rental of Rs. 180,000/- for the operation of Coffee Project subject to 10% increase once in every 10 years. The repairs and improvements to the bungalow will be at the expense of WCCL.

47.4 Litigation against the Group

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the Reporting date the Group had several unresolved legal claims. The significant unresolved legal claims against the Group for which legal advisor of the Group is of the opinion that there is possible loss, however there is a probability that the action will not succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

Notes to the Financial Statements

48 Subsequent events

No circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the financial statements other than followings;

Potential impact of income tax rate change

A change in the Income tax rate for the Sri Lankan finance and other sectors from 12%, 28% and 40% to 17.5%, 28% and 40% has been recommended by the Government Budget for 2016 which was approved by Parliament on 19 December 2015. Since the new tax rates were not published through a gazette as at the reporting date, the new rate was not substantially enacted as at that date. Accordingly the company has not provided for the potential changes to deferred taxation rates in the financial statements for the year ended 31 March 2016.

49 Assets pledged

The Group pledges assets that are in its statement of financial position in day to day transaction which are conducted under the usual terms and conditions applying such agreements. The Group has pledged following assets including right to use assets of leasehold properties. The details of the pledged securities are given below.

		Carrying amount of the assets pledged			
		Group		Company	
Nature of assets	Note	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Foreign currency term deposits	Interest bearing loans and borrowings	24,838,411	529,639	204,010	97,699
Lease, hire purchase and loans receivable	Term loan/bank drafts/ short -term loan/field and processing developments	26,922,176	50,027,392	1,294,475	585,681
Marketable shares and loans and buildings	Bank overdrafts/term loans/investments in field development	2,363,185	3,768,485	2,613,049	2,363,185
Leasehold right	Finance lease	3,508,450	250,000	-	-
Leasehold property and vehicles	Term loan	104,910	68,478	63,283	68,478
Freehold land & buildings	Interest bearing loans and borrowings	3,321,601	3,287,000	-	-
Fixed deposits	Interest bearing loans and borrowings	622,879	80,050	-	-
Project assets	Interest bearing loans and borrowings	196,430			
		61,878,042	58,011,044	4,174,817	3,115,043

50 Related party disclosures

50.1 Transactions with key management personnel

The Company and the group Carries out transactions in the ordinary course of business with the parties who are defined as related parties in Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosures), the details of which are reported below.

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiary, joint venture and associate companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

Transactions with related parties are carried out in the ordinary course of the business. These transactions carried at arm's length basis. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Non-recurrent related party transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2015 audited financial statements, which required additional disclosures in the 2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c)of the Security Exchange Commission Act.

Recurrent related party transactions

There were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2015 audited financial statements, which required additional disclosures in the2015/16 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c) of the Security Exchange Commission Act.

Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard LKAS 24 – 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, Director/ Chief Executive Officer, Key Employees of the Company holding directorships in subsidiary companies have been classified as Key Management Personnel (KMP) of the Group.

Close family members are defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs. Close family members of the KMP are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. They may include KMP's domestic partner, children of the KMP's domestic partner and dependents of the KMP.

As the Company is the Ultimate Parent of its subsidiaries mentioned in Note 1.3 and the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the group, the Directors of the Company and their immediate family members have been identified as the KMP of the Group.

Notes to the Financial Statements

Therefore, employees of the Company who are Directors of the subsidiary have also been classified as KMP of the subsidiary only.

Key management personnel compensation

For the year ended 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
50.1.1 Short term Employment benefits				
Includes:				
Director's emoluments	72,828	75,076	16,208	21,336
Other KMP emoluments and other short term benefits	286,749	267,427	196,624	180,181
	359,577	342,503	212,832	201,517

50.1.2 Long term employment benefits

There are no long-term employment benefits paid to the Key Management Personnel during the year.

50.1.3 Other transactions with key management personnel

For the year ended 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Rentals paid	(3,388)	(4,659)	(3,388)	(4,659)
Balance rentals outstanding	-	3,388	-	3,388
Deposits balance	778,965	709,737	-	-
Interest paid	100,908	123,446	-	-

50.2 Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 “Related Party Disclosures”.

The Group had the following financial dealings during the year 2015/16 with companies which are considered, related parties and unless otherwise stated, transactions were carried out in the ordinary course of business at commercial rates with companies mentioned below.

The parties given below are considered related parties mainly due to significant influence arising as a result of common directorships and through shareholdings. These companies, names of the Directors and the nature of transactions entered into are listed below.

50.2.1 Transactions with subsidiaries, associates and joint-ventures

For the year ended 31 March	Note	Company 2016 Rs. '000	Company 2015 Rs. '000
Subsidiaries			
Fund transfers in		115,493,843	79,114,484
Fund transfers out		118,579,319	77,103,046
Expenses shared		5,291,985	2,349,110
Asset hire income	5.1	633,472	70,000
Interest received on fund transfer		1,591,260	460,796
Treasury handling changes	5.1	-	-
Royalty income	5.1	3,000	5,745
Restructuring and arrangement charges	5.1	969,738	613,195
Franchise fees	5.1	287,397	191,633
Advisory services for handling	5.1	84,027	42,358
Guarantee fee income	5.1	237,165	42,358
Investments in subsidiaries		489,884	97,654
Capitalisation of subsidiaries			8,818,000
Dividend income		585	-
Rental income		3,000	-
Assets purchased from subsidiaries		-	108,807
Interest received on facilities granted		-	731
Transfer of staff loans		-	5,649,514
Assets transferred		-	-
Rendering of services received		-	-
Loans granted		1,392,193	734,943
Loans obtained		180,000	-
Associates			
Fund transfers in		1,720	-
Dividend received		282,915	170,842
Interest charged/received		83,810	43,630
Repayment of loans and finance leases obtained		172,366	125,000
Bank balance held		-	1,702
Joint ventures			
Repayment of finance leases and loans granted		-	12,406
Interest received		-	-
Commercial paper issued to (loans obtained)		-	-
Settlement of commercial papers		-	-
Dividend income		-	88

Notes to the Financial Statements

Balance outstanding on facilities granted to related parties as at 31 March		2016 Rs. '000	2015 Rs. '000
Subsidiaries	Finance leases and loans granted	18,286	13,222
Associates	Finance leases and loans granted	172,366	327,168
Joint ventures	Finance leases and loans granted	-	32,539
		190,652	372,929

Notes 50.3 shows other balances with related parties.

For the year ended 31 March	2016 Rs. '000	2015 Rs. '000
Associates		
Insurance commission received	-	38,253
Trading transactions		
- Sales	608	105,201
- Purchases	754,085	1,844,558
Settlement of cost of purchases	79,603	-
Interest charged/received	414,276	227,308
Fund transfers	5,790	4,248
Loans granted	1,213,857	347,009
Repayment of loans and finance leases obtained	396,474	174,552
Expenses shared	12,889	1,584
Rental income	130,994	2,268
Factoring Income	47,136	-
Dividend income	300,023	-
Balances receivables on facilities granted	371,229	-
Commission income received	46,705	-
Joint ventures		
Loans, advances and promissory notes obtained	-	200,000
Interest paid	-	108,112
Repayment of finance leases and loans obtained	-	209,642
Trading transactions		-
- Sales	-	1,186
- Purchases	-	-
Term and savings deposits and commercial papers	-	(325,000)
Deposits interest income	-	14,821
Dividend Income	-	21,111
Interest paid	-	14,395
Commercial paper issued	-	1,125,000
Insurance premium charged	-	5,522

50.2.2 Transactions and balances with other related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The transactions related to key management personnel and entities over which they have control were as follows;

For the year ended 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Loans obtained	4,420,000	7,783,116	-	1,750,579
Settlement of loans obtained	(2,306,093)	(1,368,780)	-	-
Interest paid on loans	1,370,478	982,638	220,021	16,786
Loans given	-	2,744,890	-	-
Interest received on loans given	254,598	51,476	-	-
Interest paid on debentures	235,826	298,356	-	298,356
Commercial paper invested	-	75,000	-	-
Interest paid on commercial papers	-	577	-	-
Balances payable on;				
- Loans obtained	12,836,158	12,472,830	-	1,750,579
- Debentures	2,745,000	3,000,000	-	-
- Commercial papers	-	75,000	-	-
Balances receivables on loans granted	2,744,890	2,744,890	-	-
Supply of leased vehicles	232,314	-	45,500	-

Notes to the Financial Statements

50.3 Balances with related parties

As at 31 March	Note	Group 2016 Rs.'000	Group 2015 Rs.'000	Company 2016 Rs.'000	Company 2015 Rs.'000
50.3.1 Amounts due from related parties					
Subsidiaries					
BRAC Lanka Finance PLC		-	-	318,897	868,927
Brown and Company PLC		-	-	12,928	35,548
Browns Hotel and Resorts Limited		-	-	278,429	97,069
Browns Health Care (Private) Limited		-	-	-	1,562
Browns Investments PLC		-	-	735,979	1,430
Commercial Leasing & Finance PLC		-	-	136,366	379,048
Dikwella Resort Limited		-	-	227,210	9,849
Diriya Investments (Private) Limited		-	-	1,369,901	227
Eden Hotels Lanka PLC		-	-	711,671	1,054
Excel Restaurant (Private) Limited		-	-	34	59
Fortune Fields (Private) Limited		-	-	-	6
Invest Land (Private) Limited		-	-	-	6
LOLC Finance PLC		-	-	252,358	1,950,125
Green Valley Assets Holding (Private) Limited		-	-	-	1,163
LOLC Factors Limited		-	-	691,068	-
LOLC Life Assurance Limited		-	-	30,450	69,865
LOLC Investments Limited		-	-	-	101,796
LOLC Land Holdings Limited		-	-	81	-
LOLC Micro Credit Limited		-	-	8,903,029	920,942
LOLC Motors Limited		-	-	-	274,665
LOLC Myanmar Micro-Finance Company Limited		-	-	149,650	147,817
LOLC Property Investments Limited		-	-	11,880	4,771
Prospere Realty (Private) Limited		-	-	201,043	191,766
LOLC Securities Limited		-	-	149,577	10,933
LOLC Technologies Limited		-	-	34,181	-
Millennium Development Limited		-	-	9,320	10,870
PALM Garden Hotels PLC		-	-	74,542	-
Pleasant Landscapes Limited		-	-	-	6
Riverina Resort (Private) Limited		-	-	1,143,232	30,582
Speed Italia Limited		-	-	63,123	62,436
Tropical Villas (Private) Limited		-	-	31,624	31,257
United Dendro Energy (Private) Limited		-	-	37,846	529,469
LOLC Asset Holdings (Private) Limited		-	-	10,314	-
LOLC General Insurance Limited		-	-	70,838	-
B G Air Services (Private) Limited		-	-	33	-
Ceylon Roots (Private) Limited		-	-	238,586	-
Ceylon Tea Estate (Private) Limited		-	-	2,217	-
Browns Capital PLC		-	-	75,500	-
Associates					
Associates Battery Manufactures (Ceylon) Limited		138	1,523	-	-
Beira Parawood Products (Private) Limited		13,246	-		-
Galoya Plantations Limited		1,647,018	1,647,610	1,709	956
Sierra Construction (Private) Limited		218	57,522	-	-
Taporbane Plantations (Private) Limited		21,810	19,854	11	547
(-) Allowance for impairment	50.3.1.1	-	-	-	(476,779)
		1,682,430	1,726,509	15,973,627	5,257,972

50.3.1.1 Allowance of impairment

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
United Dendro Energy (Private) Limited	-	-	-	433,181
Speed Italia Limited	-	-	-	43,598
	-	-	-	476,779

50.3.1.2 Movement in allowance of impairment

As at 31 March	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Opening balance	-	-	476,779	425,780
Provided for the period	-	-	-	50,999
Closing balance	-	-	476,779	476,779

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50.3.2 Amounts due to related parties

	Group		Company	
	2016 Rs.'000	2015 Rs.'000	2016 Rs.'000	2015 Rs.'000
Subsidiaries				
Central Services (Private) Limited	-	-	-	25
Lanka ORIX Information Technology Services Limited	-	-	382,064	442,713
LOLC Eco Solutions Limited	-	-	4,403	4,599
LOLC Estates Limited	-	-	-	14,001
LOLC Factors Limited	-	-	-	1,342,578
LOLC Investments Limited	-	-	136,560	-
East Coast Land Holdings (Private) Limited	-	-	-	51
LOLC Micro Investments Limited	-	-	145,306	145,310
LOLC Motors Limited	-	-	21,140	-
LOLC Technologies Limited	-	-	-	5,339
Associates				
AgStar Fertilizers PLC	22,146	10,325	-	-
Associates Battery Manufactures (Ceylon) Limited	69,513	48,859	-	-
Galoya Plantations Limited	14,181	14,258	-	-
Sierra Construction (Private) Limited	-	8,126	-	-
Taprobane Plantations (Private) Limited	3,247	8,176	-	-
	109,087	89,744	689,473	1,954,616

51 Assets and liabilities measured at fair value and fair value hierarchy

51.1 Fair value hierarchy

The Group's accounting policy on fair value measurements is discussed in accounting policy 2.12.4.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

a) Quoted market prices in active markets for similar instruments;

b) Quoted prices for identical or similar instruments in markets that are considered less than active; or

c) Other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models comparison with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reelect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

The following table provides an analysis of assets and liabilities measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

Notes to the Financial Statements

There were no material transfers between levels of fair value hierarchy during 2016 and 2015.

The independent valuers provide the fair value of land and buildings once in three years according to the Group's policy. Therefore the fair value exist in the recent valuation which was carried out by professionally qualified independent valuers in compliance with Sri Lanka Accounting Standards - SLFRS 13 (Fair Value Measurement) less subsequent accumulated depreciation and impairment losses is considered as the fair value exist as at the reporting date (31st March 2016).

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

As at 31st March 2016		Level 1	Level 2	Level 3	
		Quoted prices in active markets	Significant observable	Significant un-observable inputs	Total
Group	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets					
Trading assets - fair value through profit or loss					
Unit trusts	18.1	1,010,003	-	-	1,010,003
Government securities	18.2	-	4,144	-	4,144
Equity securities	18.3	617,258	-	-	617,258
Derivative assets held for risk management	18.4	-	766,142	-	766,142
		1,627,261	770,286	-	2,397,547
Investment securities					
Available-for-sale investment securities					
Government securities	19.1.1	-	6,496,262	-	6,496,262
Designated available-for-sale investment securities	19.1.2	4,525,156	-	-	4,525,156
Equity securities with readily determinable fair values	19.1.3	3,321	-	-	3,321
Unquoted equity securities	19.1.4	-	68,095	-	68,095
		4,528,477	6,564,357	-	11,092,834
Total financial assets at fair value		6,155,738	7,334,643	-	13,490,381
Non-financial assets					
Investment properties	27	-	-	9,073,216	9,073,216
Consumer biological assets	28	-	-	6,150,990	6,150,990
Property, plant & equipment					
- Land (Leasehold & freehold)	35	-	-	14,540,131	14,540,131
- Buildings (Leasehold & freehold)	35	-	-	7,067,393	7,067,393
Total non-financial assets at fair value		-	-	36,831,730	36,831,730
Total assets at fair value		6,155,738	7,334,643	36,831,730	50,322,111
Financial liabilities					
Derivative financial liabilities		-	17,859	-	17,859
Total liabilities at fair value		-	17,859	-	17,859

As at 31st March 2015 Group	Note	Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Financial assets					
Trading assets - fair value through profit or loss					
Unit trusts	18.1	264,492	-	-	264,492
Government securities	18.2	-	3,052	-	3,052
Equity securities	18.3	757,052	-	-	757,052
Derivative assets held for risk management	18.4	-	81,845	-	81,845
		1,021,544	84,897	-	1,106,441
Investment securities					
Available-for-sale investment securities					
Government securities	19.1.1	-	5,282,307	-	5,282,307
Designated available-for-sale investment securities	19.1.2	582,464	-	-	582,464
Equity securities with readily determinable fair values	19.1.3	3,999	-	-	3,999
Unquoted equity securities	19.1.4	-	59,056	-	59,056
		586,463	5,341,363	-	5,927,826
Total financial assets at fair value		1,608,007	5,426,260	-	7,034,267
Non-Financial assets					
Consumer biological assets	28	-	-	6,383,655	6,383,655
Investment properties	27	-	-	8,807,369	8,807,369
Property, plant & equipment					
- Land (Leasehold & freehold)	35	-	-	12,639,288	12,639,288
- Buildings (Leasehold & freehold)	35	-	-	5,613,251	5,613,251
Total non-financial assets at fair value		-	-	33,443,563	33,443,563
		1,608,007	5,426,260	33,443,563	40,477,830
Total assets at fair value					
Financial liabilities					
Derivative financial liabilities		-	501,490	-	501,490
Total liabilities at fair value		-	501,490	-	501,490

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As at 31st March 2016 Company	Note	Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Financial assets					
Trading assets - fair value through profit or loss					
Equity securities	18.3	418,424	-	-	418,424
Derivative assets held for risk management	18.4	-	1,702	-	1,702
		418,424	1,702	-	420,126
Investment securities					
Available-for-sale investment securities					
Equity securities with readily determinable fair values	19.1.2	480,533	-	-	480,533
		480,533	-	-	480,533
Total financial assets at fair value		898,957	1,702	-	900,659
Non-financial assets					
Investment properties	27	-	-	353,000	353,000
Property, plant & equipment					
- Land (Leasehold & freehold)	35	-	-	2,197,560	2,197,560
- Buildings (Leasehold & freehold)	35	-	-	469,318	469,318
Total non-financial assets at fair value		-	-	3,019,878	3,019,878
Total assets at fair value		898,957	1,702	3,019,878	3,920,537
Financial liabilities					
Derivative financial liabilities		-	-	-	-
Total liabilities at fair value		-	-	-	-

As at 31st March 2015 Company	Note	Level 1 Quoted prices in active markets Rs.'000	Level 2 Significant observable Rs.'000	Level 3 Significant un-observable inputs Rs.'000	Total Rs.'000
Financial assets					
Trading assets - fair value through profit or loss					
Equity securities	18.3	514,556	-	-	514,556
		514,556	-	-	514,556
Investment securities					
Available-for-sale investment securities					
Equity securities with readily determinable fair values	19.1.2	582,464	-	-	582,464
		582,464	-	-	582,464
Total financial assets at fair value		1,097,020	-	-	1,097,020
Non-financial assets					
Investment properties	27	-	-	344,000	344,000
Property, plant & equipment					
- Land (Leasehold & freehold)	35	-	-	1,650,434	1,650,434
- Buildings (Leasehold & freehold)	35	-	-	526,877	526,877
Total non-financial assets at fair value		-	-	2,521,311	2,521,311
Total assets at fair value		1,097,020	-	2,521,311	3,618,331
Financial liabilities					
Derivative financial liabilities		-	-	1,203	1,203
Total liabilities at fair value		-	-	-	-

Notes to the Financial Statements

51.2 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 March	Note	2016 Carrying amount Rs.'000	2016 Fair Value Rs.'000	2015 Carrying amount Rs.'000	2015 Fair Value Rs.'000
Group					
Financial assets					
Loans & receivables	19.2	49,858,606	48,239,356	12,374,437	12,413,079
Finance lease receivables, hire purchases and operating leases	20	51,666,748	51,056,981	41,335,375	41,560,280
Advances and other loans	21	161,116,017	161,486,583	98,525,051	98,629,448
		262,641,371	260,782,920	152,234,863	152,602,807
Financial liabilities					
Deposits liabilities	37.1	74,165,732	72,562,994	50,587,239	50,807,157
Interest bearing borrowings	38	205,774,163	204,361,672	113,113,592	112,992,570
		279,939,895	276,924,666	163,700,831	163,799,727
Company					
Financial assets					
Loans & receivables	19.2	204,010	228,214	99,506	99,506
Finance lease receivables, hire purchases and operating leases	20	8,920	8,920	1,684	1,684
Advances and other loans	21	1,774,112	1,345,130	1,310,259	1,195,712
		1,987,042	1,582,264	1,411,449	1,296,902
Financial liabilities					
Interest bearing borrowings	38	35,014,816	33,463,105	24,661,179	23,265,416
		35,014,816	33,463,105	24,661,179	23,265,416

For the cash and cash equivalents, short term receivables and payables, the fair value reasonably approximates its costs.

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all the Group's financial instruments can be exchanged in an active market. The Group obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted prices are not available, the Group obtains the fair values, by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy in to which each fair value measurement is categorised.

Group	Level 1	Level 2	Level 3	
	Quoted prices in active markets Rs.'000	Significant observable Rs.'000	Significant un-observable inputs Rs.'000	Total Rs.'000
As at 31st March 2016				
Financial assets				
Loans & receivables	-	48,239,356	-	48,239,356
Finance lease receivables, hire purchases and operating leases	-	-	51,056,981	51,056,981
Advances and other loans	-	-	161,486,583	161,486,583
	-	48,239,356	212,543,564	260,782,920
Financial liabilities				
Deposits liabilities	-	-	72,562,994	72,562,994
Interest bearing borrowings	-	-	204,361,672	204,361,672
	-	-	276,924,666	276,924,666
As at 31st March 2015				
Financial assets				
Loans & receivables	-	12,413,079	-	12,413,079
Finance lease receivables, hire purchases and operating leases	-	-	41,560,280	41,560,280
Advances and other loans	-	-	98,629,448	98,629,448
	-	12,413,079	140,189,728	152,602,807
Financial liabilities				
Deposits liabilities	-	-	50,807,157	50,807,157
Interest bearing borrowings	-	-	112,992,570	112,992,570
	-	-	163,799,727	163,799,727

Notes to the Financial Statements

Company	Level 1	Level 2	Level 3	
	Quoted prices in active markets Rs.'000	Significant observable Rs.'000	Significant un-observable inputs Rs.'000	Total Rs.'000
As at 31st March 2016				
Financial assets				
Loans & receivables	-	228,214	-	228,214
Finance lease receivables, hire purchases and operating leases	-	-	8,920	8,920
Advances and other loans	-	-	1,345,130	1,345,130
	-	228,214	1,354,050	1,582,264
Financial liabilities				
Interest bearing borrowings	-	-	33,463,105	33,463,105
	-	-	33,463,105	33,463,105
As at 31st March 2015				
Financial assets				
Loans & receivables	-	99,506	-	99,506
Finance lease receivables, hire purchases and operating leases	-	-	1,684	1,684
Advances and other loans	-	-	1,195,712	1,195,712
	-	99,506	1,197,396	1,296,902
Financial liabilities				
Interest bearing borrowings	-	-	23,265,416	23,265,416
	-	-	23,265,416	23,265,416

51.3 Assets measured at level 3

The following table shows a reconciliation from the beginning balances to the ending balances of fair value measurements in Level 3 of the fair value hierarchy.

For the year ended 31 March	Freehold Land and Buildings	
	Group Rs. '000	Company Rs. '000
Balance as at 1st April 2014	16,237,328	2,164,000
Additions	2,368,064	27,867
Revaluations	206,378	-
Disposals / deductions	(127,537)	-
Depreciation of buildings	(431,694)	(14,556)
Balance as at 31st March 2015	18,252,539	2,177,311
Additions	1,920,569	632,126
Revaluations	1,860,136	-
Disposals / deductions	(339,785)	(129,835)
Depreciation of buildings	(85,935)	(12,724)
Balance as at 31st March 2016	21,607,524	2,666,878

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52 Analysis of financial instruments by measurement basis

Financial instruments are measured on an on-going basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instrument is measured and how income and expenses, including fair value gain and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standards – LKAS 39 (Financial Instruments: Recognition & Measurement) under headings of the Statement of Financial Position.

As at 31st March 2016	Group				
	Held for trading Rs.'000	Loans and receivables Rs.'000	Held to maturity Rs.'000	Available for sale Rs.'000	Total Rs.'000
Financial assets					
Cash in hand and favourable bank balances	-	13,725,794	-	-	13,725,794
Trading assets - fair value through profit or loss	2,397,547	-	-	-	2,397,547
Investment securities	-	49,858,606	-	11,092,834	60,951,440
Finance lease receivables, hire purchases and operating leases	-	51,666,748	-	-	51,666,748
Advances and other loans	-	161,116,017	-	-	161,116,017
Trade and other financial assets	-	10,480,953	-	-	10,480,953
Total financial assets	2,397,547	286,848,118	-	11,092,834	300,338,499
Financial liabilities					
Bank overdrafts	-	9,302,310	-	-	9,302,310
Trading liabilities	17,859	-	-	-	17,859
Deposits liabilities	-	74,165,732	-	-	74,165,732
Interest bearing borrowings	-	205,774,163	-	-	205,774,163
Trade and other financial payables	-	11,572,669	-	-	11,572,669
Total financial liabilities	17,859	300,814,874	-	-	300,832,733

As at 31st March 2015	Group				
	Held for trading Rs.'000	Loans and receivables Rs.'000	Held to maturity Rs.'000	Available for sale Rs.'000	Total Rs.'000
Financial assets					
Cash in hand and favourable bank balances	-	7,934,390	-	-	7,934,390
Trading assets - fair value through profit or loss	1,106,441	-			1,106,441
Investment securities	-	12,374,437	-	5,927,826	18,302,263
Finance lease receivables, hire purchases and operating leases	-	41,335,375	-	-	41,335,375
Advances and other loans	-	98,525,051	-	-	98,525,051
Trade and other financial assets	-	9,103,067	-	-	9,103,067
Total financial assets	1,106,441	169,272,320	-	5,927,826	176,306,587
Financial liabilities					
Bank overdrafts	-	6,118,548	-	-	6,118,548
Trading liabilities	501,490	-	-	-	501,490
Deposits liabilities	-	50,587,239	-	-	50,587,239
Interest bearing borrowings	-	113,113,592	-	-	113,113,592
Trade and other financial payables	-	8,074,796	-	-	8,074,796
Total financial liabilities	501,490	177,894,175	-	-	178,395,665

Analysis of financial instruments by measurement basis

As at 31st March 2016	Company				
	Held for trading Rs.'000	Loans and receivables Rs.'000	Held to maturity Rs.'000	Available for sale Rs.'000	Total Rs.'000
Financial assets					
Cash in hand and favourable bank balances	-	63,407	-	-	63,407
Trading assets - fair value through profit or loss	420,126	-	-	-	420,126
Investment securities	-	204,010	-	480,533	684,543
Finance lease receivables, hire purchases and operating leases	-	8,920	-	-	8,920
Advances and other loans	-	1,774,112	-	-	1,774,112
Trade and other financial assets	-	16,524,924	-	-	16,524,924
Total financial assets	420,126	18,575,373	-	480,533	19,476,032
Financial liabilities					
Bank overdrafts	-	3,354,589	-	-	3,354,589
Trading liabilities	-	-	-	-	-
Interest bearing borrowings	-	35,014,816	-	-	35,014,816
Trade and other financial payables	-	1,115,435	-	-	1,115,435
Total financial liabilities	-	39,484,840	-	-	39,484,840

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As at 31st March 2015	Company				
	Held for trading Rs.'000	Loans and receivables Rs.'000	Held to maturity Rs.'000	Available for sale Rs.'000	Total Rs.'000
Financial assets					
Cash in hand and favourable bank balances	-	229,710	-	-	229,710
Trading assets - fair value through profit or loss	514,556		-	-	514,556
Investment securities	-	99,506	-	582,464	681,970
Finance lease receivables, hire purchases and operating leases	-	1,684	-	-	1,684
Advances and other loans	-	1,310,259	-	-	1,310,259
Trade and other financial assets	-	5,526,203	-	-	5,526,203
Total financial assets	514,556	7,167,362	-	582,464	8,264,382
Financial liabilities					
Bank overdrafts	-	354,777	-	-	354,777
Trading liabilities	1,203	-	-	-	1,203
Deposits liabilities	-	-	-	-	-
Interest bearing borrowings	-	24,661,179	-	-	24,661,179
Trade and other financial payables	-	2,327,317	-	-	2,327,317
Total financial liabilities	1,203	27,343,273	-	-	27,344,476

53 Maturity analysis of financial assets and liabilities

53.1 Maturity analysis of financial assets

As at 31st March 2016	Note	Carrying amount Rs.'000	Group				
			less than one month Rs.'000	1-3 months Rs.'000	4-12 months Rs.'000	13-60 months Rs.'000	> 60 months Rs.'000
Group							
Cash and cash equivalents	17.1	13,725,794	12,557,380	1,168,414	-	-	-
Trading assets - fair value through profit or loss							
Unit trusts	18.1	1,010,003	1,010,003	-	-	-	-
Government securities	18.2	4,144	1,334	-	-	2,810	-
Equity securities	18.3	617,258	610,032	7,226	-	-	-
Derivative assets held for risk management	18.4	766,142	613,063	100,892	52,187	-	-
Investment securities							
Available-for-sale investment securities	19.1	11,092,834	4,047,328	-	39,499	4,301,421	2,704,586
Loans & receivables	19.2	49,858,606	10,181,361	8,687,059	28,742,120	1,021,701	1,226,365
Finance lease receivables, hire purchases and operating leases							
Finance lease receivables	20.1	51,598,699	2,013,989	4,264,301	10,845,587	34,110,618	364,204
Hire purchase receivables	20.2	59,129	18,335	8,883	19,211	12,700	-
Operating lease receivables	20.3	8,920	8,920	-	-	-	-
Advances and other loans							
Advances and loans	21.1	141,248,787	5,766,262	15,291,495	46,838,171	72,117,826	1,235,033
Factoring receivables	21.2	18,558,318	4,164,091	14,216,873	152,014	25,340	-
Pawning advances	21.3	1,308,912	238,035	956,872	114,005	-	-
Trade and other current assets							
Financial assets	25	7,554,087	2,113,514	1,538,952	2,011,133	1,830,237	60,251
		297,411,633	43,343,647	46,240,967	88,813,927	113,422,653	5,590,439
Company							
Cash and cash equivalents	17.1	63,407	63,407	-	-	-	-
Trading assets - fair value through profit or loss							
Equity securities	18.3	418,424	418,424	-	-	-	-
Derivative assets held for risk management	18.4	1,702	1,702	-	-	-	-
Investment securities							
Available-for-sale investment securities	19.1	480,533	-	-	-	-	480,533
Loans & receivables	19.2	204,010	-	-	204,010	-	-
Finance lease receivables, hire purchases and operating leases							
Operating lease receivables	20.3	8,920	8,920	-	-	-	-
Advances and other loans							
Advances and loans	21.1	1,774,112	180,303	1,080	110,702	1,482,027	-
Trade and other current assets							
Financial assets	25	16,411,990	16,006,893	328,516	22,221	24,886	29,474
		19,363,098	16,679,649	329,596	336,933	1,506,913	510,007

Notes to the Financial Statements

53.2 Maturity analysis of financial liabilities

Maturity analysis of financial assets and liabilities

As at 31st March 2016	Note	Carrying amount Rs.'000	Group				
			less than one month Rs.'000	1-3 months Rs.'000	4-12 months Rs.'000	13-60 months Rs.'000	> 60 months Rs.'000
Group							
Non-derivative liabilities							
Bank overdrafts	17.2	9,302,310	9,091,830	201,972	8,508	-	-
Deposits liabilities							
Deposits from customers	37.1	74,165,732	12,501,656	23,615,574	22,488,943	15,559,559	-
Interest bearing borrowings							
Commercial papers & promisory notes	38	7,599,618	4,827,449	2,572,640	199,529	-	-
Short-term loans and others	38	64,186,927	31,113,048	11,282,795	21,791,084	-	-
Debentures	38	15,090,000	-	-	140,000	14,950,000	-
Finance lease liabilities	38.2	1,552,068	13,293	110,846	320,930	831,277	275,722
Long-term borrowings	38.3	117,345,550	1,343,149	8,032,713	15,853,626	86,927,422	5,188,640
Other current liabilities	41	9,198,792	1,306,528	2,947,527	4,633,396	311,341	-
Derivative liabilities	36	17,859	-	17,859	-	-	-
		298,458,856	60,196,953	48,781,926	65,436,016	118,579,599	5,464,362
Company							
Non-derivative liabilities							
Bank overdrafts	17.2	3,354,589	3,354,589	-	-	-	-
Interest bearing borrowings							
Commercial papers & promisory notes	38	7,596,559	4,826,449	2,572,640	197,470	-	-
Short-term loans and others	38	15,755,903	15,560,996	-	194,907	-	-
Debentures	38	5,140,000	-	-	140,000	5,000,000	-
Finance lease liabilities	38.2	115,074	9,077	18,430	48,319	39,248	-
Long-term borrowings	38.3	6,407,280	-	351,297	1,217,490	4,538,841	299,652
Other current liabilities	41	1,075,990	-	1,075,990	-	-	-
Derivative liabilities	36	-	-	-	-	-	-
		39,445,395	23,751,111	4,018,357	1,798,186	9,578,089	299,652

54 Operating Segments

As at 31st March 2016	Financial services	Life & general insurance	Manufacturing & trading	Leisure & entertainment	Plantation & hydro power	Equity accounted investees	Others & eliminations	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2015/16								
Gross income	49,013,466	4,271,572	15,384,503	1,319,006	5,734,203	-	(8,957,702)	66,765,048
Net interest cost	(20,677,797)	-	(792,472)	(455,481)	(319,433)	-	3,394,791	(18,850,392)
Cost of sales	-	-	(10,247,716)	(303,285)	(2,255,059)	-	103,209	(12,702,851)
Profit before operating Expenses	28,335,669	4,271,572	4,344,315	560,240	3,159,711	-	(5,459,702)	35,211,805
Operating expenses	(18,659,128)	(4,347,920)	(3,220,298)	(1,177,761)	(3,828,987)	-	4,735,003	(26,499,091)
Results from operating Expenses	9,676,541	(76,348)	1,124,017	(617,521)	(669,276)	-	(724,699)	8,712,714
Share of profits of equity accounted investees, net of tax	-	-	-	-	-	3,094,237	-	3,094,237
Results on acquisition and divestment of group investments	-	-	-	-	-	-	50,963	50,963
Profit before taxation	9,676,541	(76,348)	1,124,017	(617,521)	(669,276)	3,094,237	(673,736)	11,857,914
2014/15								
Gross income	34,740,806	2,831,262	10,927,299	1,211,350	-	-	(5,125,112)	44,585,605
Net Interest cost	(12,873,440)	-	(606,562)	(491,126)	-	-	1,462,758	(12,508,370)
Cost of sales	-	-	(7,147,320)	(246,308)	-	-	154,093	(7,239,535)
Profit before operating Expenses	21,867,366	2,831,262	3,173,417	473,916	-	-	(3,508,261)	24,837,700
Operating expenses	(14,778,226)	(3,066,951)	(2,596,156)	(1,033,532)	-	-	2,188,107	(19,286,758)
Results from operating Expenses	7,089,140	(235,689)	577,261	(559,616)	-	-	(1,320,154)	5,550,942
Share of profits of equity accounted investees, net of tax	-	-	-	-	-	2,080,221	-	2,080,221
Results on acquisition and divestment of group investments	-	-	-	-	-	-	538,138	538,138
Profit before taxation	7,089,140	(235,689)	577,261	(559,616)	-	2,080,221	(782,016)	8,169,301

Notes to the Financial Statements

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliation presented further below.

As at 31st March 2016	Financial services	Life & general insurance	Manufacturing & trading	Leisure & entertainment	Plantation & hydro power	Equity accounted investees	Others & eliminations	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
2015/16								
Depreciation and Amortisation	588,667	453,38	305,651	260,094	353,605	-	24,591	1,577,846
Net impairment loss on financial assets	2,965,890	13,493	(1,322)	-	-	-	-	2,978,061
2014/15								
Depreciation and Amortisation	503,429	47,905	248,750	220,126	-	-	46,968	1,067,178
Net impairment loss on financial assets	4,137,860	(11,025)	7,142	-	-	-	-	4,133,977
As at 31 March 2016								
Total assets	353,254,187	6,817,848	28,552,395	26,914,287	19,364,499	-	(55,308,658)	379,594,558
Total liabilities	304,171,205	4,427,509	12,951,776	7,693,670	8,206,692	-	(24,232,519)	313,218,333
As at 31 March 2015								
Total assets	213,876,427	4,944,626	24,438,659	23,528,618	-	-	(21,870,918)	244,917,412
Total liabilities	172,558,087	2,788,911	12,240,719	6,473,261	-	-	(5,230,871)	188,830,107

55 Financial risk management

The Group has exposure to the following risks from financial instruments:

1 Credit risk
2 Liquidity risk
3 Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The board of directors of each Company has overall responsibility for the establishment and oversight of Group's risk management framework for the companies within the group. The Board has established Integrated Risk Management Committees (IRMC) for each financial sector company, which are responsible for developing and monitoring financial services risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by Group , to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee of each Company is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the each Group of Company. Each financial sector Company's audit committee is assisted in these functions by Enterprise Risk Management division (ERM). ERM undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to each financial sector Comany's Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers.

The Group exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Management of credit risk

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to each Credit Committees, is responsible for management of the Financial sector Companies' credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

2. Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Credit Committee or the board of directors as appropriate.

3. Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subjected to the same review process.

4. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit who may require appropriate corrective action to be taken.

5. Providing advice, guidance and specialist skills to business units to promote best practice throughout the financial sector in the management of credit risk.

Notes to the Financial Statements

Impaired facilities and loans

Individually impaired loans and securities are loans and advances for which each financial sector Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but each financial sector Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to each Company.

The following table shows the overdue amounts for the financial assets categories.

	Group		Company	
	Neither past due nor impaired Rs.'000	Overdue Rs.'000	Neither past due nor impaired Rs.'000	Overdue Rs.'000
Cash in hand and favourable bank balances	13,725,794	-	63,407	-
Trading assets - fair value through profit or loss	2,397,547	-	420,126	-
Investment securities	60,951,440	-	684,543	-
Loan portfolio	176,869,585	35,913,180	1,617,298	165,734
Trade and other current assets	7,554,087	-	16,411,990	-

Impairment losses related to each of the above asset classes are shown in note 9 to these financial statements.

The following table shows the maximum exposure and net exposure to credit quality by class of financial assets.

	Group		Company	
	Gross exposure Rs.'000	Net exposure Rs.'000	Gross exposure Rs.'000	Net exposure Rs.'000
Cash in hand and favourable bank balances	13,725,794	13,725,794	63,407	63,407
Trading assets - fair value through profit or loss	2,397,547	2,397,547	420,126	420,126
Investment securities	60,951,440	46,189,196	684,543	684,543
Loan portfolio	212,782,765	(143,665,174)	1,783,032	1,271,997
Trade and other current assets	7,554,087	7,554,087	16,411,990	16,411,990

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, financial sector companies have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

Each financial sector Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost, a collective loan loss allowance established for each financial sector Company's homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy

Each financial sector Company writes off a loan, and any related allowances for impairment losses, when management determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

Each financial sector Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Trade & other receivables

Each group of Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for each group of Company's similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of the portfolio.

Notes to the Financial Statements

2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's entities.

For the financial sector companies, a Central Treasury manages the liquidity risk for financial sector. Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers and other inter-group facilities, to ensure that sufficient liquidity is maintained within the financial sector as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Central Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

When a financial sector subsidiary is subject to a liquidity limit imposed by its local regulator, the subsidiary is responsible for managing its overall liquidity within the regulatory limit in co-ordination with central Treasury.

The financial sector relies on deposits from customers and issued debt securities and borrowings as its primary sources of funding. While the Group's debt securities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the financial sector's liquidity risk and the sector actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Maturity analysis for financial liabilities

Note 53 to these financial statements shows the discounted cash flows on the Company's non-derivative financial liabilities on the basis of their earliest possible contractual maturity.

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment securities for which there an active and liquid market is available.

3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall non-trading interest rate risk positions are managed by Financial sector's Central Treasury, which uses investment securities, advances to customers, deposits from customers and derivative instruments to manage the overall position arising from the Group's market based activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows;

Sensitivity of projected Group	net interest income		reported equity	
	1% parallel increase Rs.'000	1% parallel decrease Rs.'000	1% parallel increase Rs.'000	1% parallel decrease Rs.'000
For the year ended 31 March 2016	409,937	(409,937)	299,709	(299,709)

Sensitivity of projected Company	net interest income		reported equity	
	1% parallel increase Rs.'000	1% parallel decrease Rs.'000	1% parallel increase Rs.'000	1% parallel decrease Rs.'000
For the year ended 31 March 2016	(145,989)	145,989	(105,112)	105,112

Currency risk

The Group has exposure to the currency fluctuations through its foreign assets and liabilities held by following main foreign subsidiaries.

Subsidiary	Country of incorporation	Functional currency
LOLC Cambodia PLC	Cambodia	Cambodian riel - KHR
LOLC Myanmar Micro-Finance Company Limited	Myanmar	Burmese kyat - MMK
Bodufaru Beach Resorts (Private) Limited	Maldives	Maldivian rufiyaa -MVR

Sensitivity analysis

A reasonably possible strengthening (weakening) of KHR and MMK against all other currencies as at 31 March 2016, would have affected the measurement of individual assets and liabilities denominated in a foreign currency and affected equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant and any change in assets liability positions

As at 31 March 2016	100 basis points movement in	
	strengthening Rs.'000	Weakening Rs.'000
KHR	(57,880)	57,880
MMK	(2,801)	2,801
MVR	(7,732)	7,732

Notes to the Financial Statements

56 Current/non-current distinction

As at 31 March 2016	Note	Group			Company		
		Carrying amount Rs.'000	Non-current Rs.'000	Current Rs.'000	Carrying amount Rs.'000	Non-current Rs.'000	Current Rs.'000
Assets							
Cash in hand and favourable bank balances	17.1	13,725,794	-	13,725,794	63,407	-	63,407
Trading assets - fair value through profit or loss	18	2,397,547	2,810	2,394,737	420,126	-	420,126
Investment securities	19	60,951,440	9,254,073	51,697,367	684,543	480,533	204,010
Finance lease receivables, hire purchases and operating leases	20	51,666,748	34,487,522	17,179,226	8,920	-	8,920
Advances and other loans	21	161,116,017	73,378,199	87,737,818	1,774,112	1,482,027	292,085
Insurance premium receivables	22	801,165	-	801,165	-	-	-
Inventories	23	3,645,281	-	3,645,281	462,760	-	462,760
Current tax assets	24	1,011,854	-	1,011,854	178,334	-	178,334
Trade and other current assets	25	10,480,953	5,663,599	4,817,354	16,524,924	167,294	16,357,630
Prepaid lease rentals on leasehold properties	26	742,535	742,535	-	-	-	-
Investment properties	27	9,073,216	9,073,216	-	353,000	353,000	-
Real estate stocks		-			-		
Biological assets;							
Consumer biological assets	28	6,150,990	6,150,990	-	-	-	-
Bearer biological assets	29	4,811,353	4,811,353	-	-	-	-
Investments in group of companies;							
Subsidiary companies	30	-			42,615,931	42,615,931	-
Jointly controlled entities	31	-			-	-	-
Equity accounted investees - Associates	32	16,493,637	16,493,637	-	7,816,377	7,816,377	-
Deferred tax assets	33.1	490,243	490,243	-	80	80	-
Intangible assets	34	2,482,046	2,482,046	-	210,021	210,021	-
Property, plant and equipment	35	33,553,739	33,553,739	-	4,381,379	4,381,379	-
Total assets		379,594,558	196,583,962	183,010,596	75,493,914	57,506,642	17,987,272
Liabilities							
Bank overdrafts	17.2	9,302,310	-	9,302,310	3,354,589	-	3,354,589
Trading liabilities	36	17,859	-	17,859	-	-	-
Deposits liabilities	37	74,165,732	15,559,559	58,606,173	-	-	-
Interest bearing borrowings	38	205,774,163	108,173,061	97,601,102	35,014,816	9,877,741	25,137,075
Insurance provision - life	39.1	1,519,563	1,519,563	-	-	-	-
Insurance provision - general	39.2	2,136,529	2,136,529	-	-	-	-
Current tax payables	40	2,084,537	-	2,084,537	322,774	-	322,774
Trade and other payables	41	11,572,669	4,633,396	6,939,273	1,115,435	-	1,115,435
Deferred tax liabilities	33.3	3,930,668	3,930,668	-	-	-	-
Deferred income	42	651,021	651,021	-	-	-	-
Retirement benefit obligations	43	2,063,282	2,063,282	-	184,863	184,863	-
Total liabilities		313,218,333	138,667,079	174,551,254	39,992,477	10,062,604	29,929,873

57 Early adoption of amendments to LKAS 16 and LKAS 41 (Agriculture : Bearer Plants)

Pursuant to the amendments made to the LKAS 16 and LAKS 41 which was effective for the annual financial reporting periods beginning on or after 1st January 2016 with early adoption being permitted. This amendment requires the bearer plants which were previously within the scope of LKAS 41 – "Agriculture" to be accounted within the scope of LKAS 16 – "Property, Plant and Equipment", which has the option to account at cost less accumulated depreciation.

Under the amendments, three (3) options were given fro the transition;

Under the amendments, three (3) options were given for the transition, accordingly the Group decided to early adopt this amendment under cost option for the year ended 31st March 2016 by restating the earliest period presented as required by LKAS 8 – "Accounting Policies, Changes in accounting estimates and Errors". Accordingly, the amounts presented as at 1st April 2014 and 31st March 2015 are restated as follows,

Reconciliation of total comprehensive income for the year ended 31st March 2015

		Group		
For the year ended 31 March 2015	Note	Previously reported Rs.'000	Re-statement Rs.'000	Restated Rs.'000
Gross income		44,585,605	-	44,585,605
Interest Income		27,774,990	-	27,774,990
Interest expenses		(12,508,370)	-	(12,508,370)
Net interest income		15,266,620	-	15,266,620
Revenue		10,728,830	-	10,728,830
Cost of sales		(7,239,535)	-	(7,239,535)
Gross profit		3,489,295	-	3,489,295
Income		4,752,194	-	4,752,194
Other income/(expenses)		1,329,591	-	1,329,591
Profit before operating expenses		24,837,700	-	24,837,700
Operating expenses				
Direct expenses excluding finance expenses		(3,142,816)	-	(3,142,816)
Personnel expenses		(4,970,286)	-	(4,970,286)
Net impairment loss on financial assets		(4,133,977)	-	(4,133,977)
Depreciation and amortization		(1,067,178)	-	(1,067,178)
Other operating expenses		(5,972,501)	-	(5,972,501)
Results from operating activities		5,550,942	-	5,550,942
Share of profits of equity accounted investees, net of tax	57.2	1,938,465	141,756	2,080,221
Results on acquisition of Group investments	57.2	660,947	(122,809)	538,138
Profit before income tax expense		8,150,354	18,947	8,169,301
Income tax expense		(1,870,647)	-	(1,870,647)
Profit for the year		6,279,707	18,947	6,298,654

Notes to the Financial Statements

57 Early adoption of amendments to LKAS 16 and LKAS 41 (Agriculture : Bearer Plants)

	Note	As at 31 March 2015			As at 01 April 2014		
		Previously reported Rs.'000	Re-statement Rs.'000	Restated Rs.'000	Previously reported Rs.'000	Re-statement Rs.'000	Restated Rs.'000
Assets							
Cash in hand and favourable bank balances		7,934,390	-	7,934,390	5,173,497	-	5,173,497
Trading assets - fair value through profit or loss		1,106,441	-	1,106,441	885,802	-	885,802
Investment securities		18,302,263	-	18,302,263	16,172,946	-	16,172,946
Finance lease receivables, hire purchases and operating leases		41,335,375	-	41,335,375	36,259,242	-	36,259,242
Advances and other loans		98,525,051	-	98,525,051	54,285,641	-	54,285,641
Insurance premium receivables		602,099	-	602,099	449,589	-	449,589
Inventories		1,833,672	-	1,833,672	1,868,627	-	1,868,627
Current tax assets		1,183,563	-	1,183,563	1,103,421	-	1,103,421
Trade and other current assets		9,103,067	-	9,103,067	7,047,160	-	7,047,160
Prepaid lease rentals on leasehold properties		342,816	-	342,816	51,088	-	51,088
Investment properties		8,807,369	-	8,807,369	6,655,490	-	6,655,490
Real estate stocks		-	-	-	-	-	-
Biological assets;		-	-	-	-	-	-
Consumable biological assets		6,383,655	-	6,383,655	-	-	-
Bearer biological assets	57.1.1	5,803,318	(1,145,813)	4,657,505	-	-	-
Investments in group of companies;		-	-	-	-	-	-
Subsidiary companies		-	-	-	-	-	-
Jointly controlled entities	57.1.2	-	-	-	1,468,716	(264,565)	1,204,151
Equity accounted investees - Associates		15,067,850	-	15,067,850	13,472,316	-	13,472,316
Deferred tax assets		516,785	-	516,785	313,170	-	313,170
Intangible assets		2,251,313	-	2,251,313	722,549	-	722,549
Property, plant and equipment		26,964,198	-	26,964,198	21,510,354	-	21,510,354
Total assets		246,063,225	(1,145,813)	244,917,412	167,439,608	(264,565)	167,175,043
Liabilities and equity							
Liabilities							
Bank overdrafts		6,118,548	-	6,118,548	2,819,302	-	2,819,302
Trading liabilities		501,490	-	501,490	405,434	-	405,434
Deposits liabilities		50,587,239	-	50,587,239	49,614,880	-	49,614,880
Interest bearing borrowings		113,113,592	-	113,113,592	64,048,889	-	64,048,889
Insurance provision - life		774,865	-	774,865	271,792	-	271,792
Insurance provision - general		1,595,644	-	1,595,644	1,248,685	-	1,248,685
Current tax payables		1,635,727	-	1,635,727	1,058,724	-	1,058,724
Trade and other payables		8,074,796	-	8,074,796	5,464,397	-	5,464,397
Deferred tax liabilities	57.1.4	3,404,404	(102,497)	3,301,907	2,220,836	-	2,220,836
Deferred income	57.1.5	470,526	137,129	607,655	11,390	-	11,390
Retirement benefit obligations		2,518,644	-	2,518,644	355,199	-	355,199
Total liabilities		188,795,475	34,632	188,830,107	127,519,528	-	127,519,528
Equity							
Stated capital		475,200	-	475,200	475,200	-	475,200
Reserves		5,304,386	-	5,304,386	5,357,905	-	5,357,905
Retained earnings		22,713,066	(258,967)	22,454,099	17,069,012	(264,565)	16,804,447
Equity attributable to shareholders of the Company		28,492,652	(258,967)	28,233,685	22,902,117	(264,565)	22,637,552
Non-controlling interests		28,775,098	(921,478)	27,853,620	17,017,963	-	17,017,963
Total equity		57,267,750	(1,180,445)	56,087,305	39,920,080	(264,565)	39,655,515
Total liabilities & equity		246,063,225	(1,145,813)	244,917,412	167,439,608	(264,565)	167,175,043

Figures in brackets indicate deductions

57.1 Impact to the balances reported in the statement of financial position

As at		Note	Group 31 Mar 2015 Rs. '000	Group 01 Apr 2014 Rs. '000
57.1.1 Bearer biological assets				
Balance as previously reported			5,803,318	-
Less:				
Reversal of fair value gain recognised on bearer biological assets	- Rubber		(1,265,735)	-
	- Coconut		(37,378)	-
Amortisation of bearer biological assets	- Rubber		(339,163)	-
	- Coconut		(4,031)	-
Add:				
Transfer of grants received on rubber replanting to deferred income			147,449	-
Reversal of sale of rubber trees			353,047	-
Total Impact due to restatement			(1,145,811)	-
Restated balance			4,657,507	-

57.1.2 Jointly controlled entities

The changes up to 01 April, 2014 due to early adoption of above amendments adjusted through the carrying value of the Jointly controlled entities (accounted under equity accounting methodology under SLFRS 11 - Joint Arrangements).

As at	Note	Group 31 Mar 2015 Rs. '000	Group 01 Apr 2014 Rs. '000
Balance as previously reported		1,272,535	1,468,716
Impact to the opening equity		(264,565)	(264,565)
Impact to the share of profits		141,756	-
Total equity to the carrying amount	57.1.6	(122,809)	(264,565)
Restated balance		1,149,726	1,204,151

Notes to the Financial Statements

57.1.3 Goodwill on acquisition / (gain on bargain purchase)

Goodwill on acquisition / (gain on bargain purchase) is recognised as a result of the acquisitions as follows;

As at 31 March 2015	Group		
	Previously reported	Re-statement	Restated
	Rs.'000	Rs.'000	Rs.'000
Fair value of the consideration paid	1,302,400	-	1,302,400
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities	8,379,824	(934,827)	7,444,997
	9,682,224	(934,827)	8,747,397
Fair value of identifiable net assets	10,924,893	(1,180,445)	9,744,448
Goodwill on acquisition / (gain on bargain purchase)	(1,242,669)	245,618	(997,051)
Carrying amount of the previously held interest	1,272,535	(122,809)	1,149,726
Fair value adjustment to the carrying amount	(621,335)	122,809	(498,526)
Fair value of the previously held interest	651,200	-	651,200
Gain on bargain purchase	1,242,669	(245,618)	997,051
Fair value adjustment to the carrying amount	(621,335)	122,809	(498,526)
Total effect on profit or loss	621,334	(122,809)	498,525

57.1.4 Deferred tax liabilities

Deferred tax effect arises due to the decrease of the taxable temporary difference as a result of reversal fair valuation of bearer biological assets and charge of depreciation for the period.

Effects of the measurement on the net assets in the statement of financial position as at 01 April 2014 and 31 March 2015 and statement of profit or loss for the year ended 31st March, 2015 are as follows;

As at	31 Mar 2015	01 Apr 2014
	Rs. '000	Rs. '000
Balance as previously reported	3,404,404	2,220,836
Impact on transfer from fair value to cost model	(102,495)	-
Restated balance	3,301,909	2,220,836

57.1.5 Deferred income

Grant relating to replanting of bearer biological assets (Rubber Replanting Subsidy) which was set off against carrying value of the immature bearer biological assets under LKAS 41 has been reinstate as deferred income and amortised over the useful life under LKAS 20.

Effects of the measurement on the net assets in the statement of financial position as at 01 April 2014, 31 March 2015 and statement of profit or loss for the year ended 31st March, 2015 are as follows;

As at	31 Mar 2015 Rs. '000	01 Apr 2014 Rs. '000
Balance as previously reported	470,526	11,390
Grants received on rubber replanting	147,449	-
Amortisation of deferred income relating to mature rubber plantations	(10,320)	-
Total impact due to restatement	137,129	-
Restated balance	607,655	11,390

57.1.6 Impact to the net assets of respective jointly controlled entities

The changes up to 01 April, 2014 due to early adoption of above amendments adjusted through retained earnings.

As at		Group		
		Note	31 Mar 2015 Rs. '000	01 Apr 2014 Rs. '000
Reversal of fair value gain recognised on bearer biological assets	- Rubber	57.1.1	(1,265,735)	(2,991,667)
	- Coconut	57.1.1	(37,378)	(26,290)
Amortisation of bearer biological assets	- Rubber	57.1.1	(339,163)	(255,685)
	- Coconut	57.1.1	(4,031)	(3,104)
Amortisation of grants received on rubber replanting		57.1.5	10,320	5,545
Reversal of sale of rubber trees		57.1.1	353,047	289,871
Reversal of deferred tax liability		57.1.4	102,495	291,198
Amount transferred to acquisition purpose			(1,180,445)	(2,690,132)
Effect on parent			(122,809)	(264,565)
Effect on non-controlling interests			(1,057,636)	-
			(1,180,445)	(264,565)

Notes to the Financial Statements

57.2 Impact to the balances reported in the statement of profit or loss

For the year ended 31 March 2015	Group		
	Note	Gain on bargain purchase Rs. '000	Equity profit share Rs. '000
Amount as previously reported	57.1.3 / 57.1.2	621,334	(135,440)
Impact of the restatement		(122,809)	141,756
Restated balance		498,525	6,316

Supplementary Information

Property Details of the Company

Details of Land & Building of Company

	Address	Land Extent	Building Extent	Cost		Accumulated Depreciation	Last Valuation		Carrying Amount	
		A-R-P	Sq. Ft.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya	1A-0R-04.86P	57,250	535,795,000	149,205,000	22,162,930	741,870,000	409,130,000	1,129,204,420	1,140,271,984
2	No. 100 A, Sri Jayawardenapura Mawatha, Rajagiriya	0A-2R-20.00P		245,000,000	-	-	375,000,000	-	375,000,000	375,000,000
3	No. 25/7, Wimalawatta Road, Mirihana, Nugegoda	0A-0R-33.40P		20,000,000	-	-	30,000,000	-	30,000,000	30,000,000
4	No. 103, Sri Jayawardenapura Mawatha, Rajagiriya	0A-1R-12.50P		166,399,000	-	-	236,000,000	-	236,000,000	236,000,000
5	No. 28A, Badulla Road, Nuwara Eliya	0A-0R-21.03P	5,426	56,974,000	57,425,000	2,238,305	33,648,000	41,352,000	72,761,695	73,879,316
6	No. 52/40, Stanly Road, Jaffna	0A-0R-37.31P		64,630,000	-	-	112,000,000	-	112,000,000	112,000,000
7	No. 241 A, Maithreepala Senanayake Mawatha, Anuradhapua	0A-0R-13.01P		18,129,736	-	-	26,000,000	-	26,000,000	26,000,000
8	No. 240, Moragahayata, Colombo Road, Ratnapura	0A-0R-15.80P	10,173	20,919,000	8,400,000	1,825,497	20,540,000	36,460,000	55,174,503	56,086,003
9	No. 1163/A, Cotta Road, Rajagiriya	0A-0R-08.70P	8,750	34,546,435	38,252,565	-	35,000,000	52,000,000	-	85,627,830
10	Boralukanda, Athabendiwewa Road, Thalakiriyagama	2A-3R-15P	440	2,647,000	-	106,295	12,877,000	2,123,000	14,893,705	14,946,780
11	No. 54, Queen Mary Road, Gampaha	0A-0R-22P		27,500,000	-	-	-	-	27,500,000	27,500,000
12	Ampara Yard			-	7,164,540	946,112	-	-	6,218,428	-
13	No. 243 & 245, Katugastota Road, Mahaiyawa, Katugastota, Kandy	0A-0R-22.90P	9,000	107,293,399	-	-	-	-	107,293,399	-
14	No. 189, Puttalam Road, Kurunegala	0A-0R-62.55P		261,999,000	-	-	-	-	261,999,000	-
15	No. 538 & 538A, Main Street, Kalutara South, Kalutara	0A-1R-10.52P		94,694,000	-	-	-	-	94,694,000	-
16	Kaluwamodara, Beruwala, Aluthgama	0A-0R-62.55P		75,461,000	-	-	-	-	75,461,000	-
17	Attikkagahawatta, Kochchikade	0A-0R-30P		42,679,000	-	-	-	-	42,679,000	-
				1,774,666,570	260,447,105	27,279,140	1,622,935,000	541,065,000	2,666,879,149	2,177,311,912

Investment Property Details

1	No.156, Kolonnawa Road, Gothatuwa	1A-1R-33.71P	39,940	57,802,500	107,197,500	-	222,024,500	114,975,500	337,000,000	330,000,000
2	No.246/56, Kandy Road, Eldeniya, Kadawatha	0A-0R-23.37P	1,831	11,000,000	-	-	16,000,000	-	16,000,000	14,000,000
				68,802,500	107,197,500	-	238,024,500	114,975,500	353,000,000	344,000,000

Related Party Transactions

Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.

There are no related party transactions those require specified disclosure in accordance with the continuing listing requirements of Colombo Stock Exchange.

Ten Year Summary

For the year ended 31 March (Rs.'000)	2007	2008	2009	2010
Group				
Operating results				
Revenue	-	-	3,495,607	3,571,367
Cost of sales	-	-	(2,993,076)	(2,869,272)
Income	3,950,751	5,934,772	9,843,454	9,941,904
Other income/(expenses)	207,675	313,376	282,660	1,388,560
Interest costs	(178,751)	(3,403,965)	(6,441,182)	(6,178,137)
Profit before operating expenses	2,370,675	2,844,183	4,187,463	5,854,422
Other operating expenses	(1,372,936)	(1,880,700)	(3,080,622)	(4,386,721)
Results from operating activities	997,739	963,483	1,106,841	1,467,701
Negative goodwill	-	131,293	-	1,423,837
Profit/(loss)on disposal of subsidiaries and associates	-	-	-	(167,088)
Share of profit of associate companies	-	88,277	140,458	116,337
Profit before tax	997,739	1,183,053	1,247,299	2,840,787
Income tax expense	52,443	160,443	(192,122)	(455,382)
Net profit after tax	1,050,182	1,343,496	1,055,177	2,385,405
As at 31 March (Rs.'000)				
Assets				
Net lending portfolio	16,103,706	21,434,958	32,697,993	35,084,686
Total assets	24,483,950	32,994,258	46,287,066	75,371,319
Liabilities				
Total liabilities	20,659,031	27,816,389	40,195,588	55,631,672
Shareholders' funds				
Share capital	475,200	475,200	475,200	475,200
Reserves	3,309,657	4,649,019	5,536,270	7,428,554
Non-Controlling interest	40,062	53,650	80,008	11,553,927
Shareholders' funds	3,824,919	5,177,869	6,091,478	19,457,681
Investor ratios				
Return on assets(%)	5	5	3	4
Return on equity(%)	31	30	19	19
Other information				
No.of branches	18	22	26	48
No.of LIOC/mini branches	-	10	14	13
No.of service centres	-	-	11	36
No.of subsidiary companies	8	9	9	41
No.of associate companies	-	2	2	7
No.of joint ventures	-	1	1	15

2011	2012	2013	2014	2015	2016
15,531,630	16,849,174	16,988,149	10,728,830	10,728,830	20,228,126
(9,911,222)	(10,958,288)	(10,721,916)	(7,239,535)	(7,239,535)	(12,702,851)
11,971,270	18,020,866	22,890,876	32,527,184	32,527,184	45,406,578
5,003,070	662,714	2,512,150	1,329,591	1,329,591	1,130,344
(6,504,682)	(9,345,806)	(14,527,658)	(12,508,370)	(12,508,370)	(18,850,392)
16,090,066	15,228,660	17,141,601	24,837,700	24,837,700	35,211,805
(8,373,770)	(11,345,046)	(15,182,502)	(19,286,758)	(19,286,758)	(26,499,091)
7,716,296	3,883,615	1,959,099	5,550,942	5,550,942	8,712,714
271,911	2,914,536	1,500,943	538,138	538,138	50,963
-	-	-	-	-	-
178,522	269,649	246,129	2,080,221	2,080,221	3,094,237
8,166,729	7,067,801	3,706,171	8,169,301	8,169,301	11,857,914
(1,259,279)	(1,364,033)	(1,153,884)	(1,870,647)	(1,870,647)	(2,526,527)
6,907,450	5,703,768	2,552,287	6,298,654	6,298,654	9,331,387
58,416,332	79,353,502	88,118,116	90,994,472	140,462,525	213,583,930
113,070,643	145,204,176	162,981,531	167,175,043	244,917,412	379,594,558
78,255,809	101,990,824	119,608,773	127,519,528	188,830,107	313,218,333
475,200	475,200	475,200	475,200	475,200	475,200
12,581,747	19,093,875	20,413,040	22,162,352	27,758,485	37,223,180
21,757,886	23,644,277	22,484,518	17,017,963	27,853,620	28,677,845
34,814,834	43,213,352	43,372,758	39,655,515	56,087,305	66,376,225
8	4	2	3.82	3	3
26	15	6	7	13	15
73	80	80	87	85	89
22	25	25	36	42	39
81	87	87	11	13	13
48	66	84	69	121	105
7	9	10	13	12	11
18	18	19	18	-	-

Ten Year Summary

For the year ended 31 March (Rs.'000)	2007	2008	2009	2010
Company				
Operating results				
Gross income	3,034,110	4,960,979	6,626,308	4,722,479
Other income/(expenses)	291,840	261,254	71,445	1,022,138
Interest costs	(1,442,881)	(2,972,057)	(4,205,474)	(3,090,912)
Profit before operating expenses	1,883,069	2,250,176	2,492,279	2,653,705
Other operating expenses	(972,865)	(1,408,840)	(1,910,159)	(2,162,578)
Results from operating activities	910,204	841,336	582,120	491,127
Profit before tax	910,204	841,336	582,120	491,127
Income tax expense	76,390	217,901	(76,532)	(164,187)
Net profit after tax	986,594	1,059,237	505,588	326,940
As at 31 March (Rs.'000)				
Assets				
Total assets	20,888,694	28,996,068	31,335,180	29,737,969
Liabilities				
Total liabilities	17,194,407	24,233,931	26,233,467	24,309,315
Shareholders' funds				
Share capital & reserves				
Share capital	475,200	475,200	475,200	475,200
Reserves	3,219,087	4,286,937	4,626,513	4,953,454
Shareholders' funds	3,694,287	4,762,137	5,101,713	5,428,654
Investor ratios				
Gross dividends	71,280	106,920	133,056	-
Total assets to shareholders' funds (times)	6.00	6.00	6.00	5.00
Return on assets (%)	6.00	4.00	2.00	1.00
Return on equity (%)	30.00	25.00	10.00	6.00
Other information				
No. of employees	414	521	664	787

	2011	2012	2013	2014	2015	2016
	3,511,733	3,016,783	3,541,670	2,111,378	1,046,238	1,955,069
	2,832,627	4,544,494	1,141,958	3,349,180	1,868,138	2,876,481
	(2,384,015)	(2,571,566)	(3,464,147)	(2,720,484)	(1,686,278)	(3,191,053)
	3,960,346	4,989,712	1,219,481	2,740,074	1,228,098	1,640,497
	(2,062,356)	(1,917,994)	(1,151,579)	(2,051,032)	(769,894)	(805,565)
	1,897,989	3,071,718	67,902	689,042	458,204	834,932
	1,897,989	3,071,718	67,902	689,042	458,204	834,932
	(374,646)	(94,464)	(33,718)	5,218	45,408	(146,152)
	1,523,343	2,977,254	34,184	694,260	503,612	688,780
	54,212,952	58,028,455	53,239,340	49,254,147	62,609,260	75,493,914
	23,602,917	24,776,791	20,518,752	15,124,870	27,712,892	39,992,477
	475,200	475,200	475,200	475,200	475,200	475,200
	30,134,835	32,776,464	32,245,388	33,654,077	34,421,168	35,026,237
	30,610,035	33,251,664	32,720,588	34,129,277	34,896,368	35,501,437
	-	-	237,600	-	-	-
	1.77	1.75	1.63	1.00	1.79	2.13
	3.63	5.31	0.06	1.35	0.90	1.00
	24.00	9.32	0.10	2.08	1.46	1.96
	848	948	1,007	1075	1086	1198

Summarised Quarterly Statistics

Income Statement (Rs.'000)

For the 3 months ended	2015/16				2014/15			
	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Company								
Gross income	290,547	489,750	597,379	577,394	207,656	267,123	256,263	315,196
Other income/(expenses)	575,325	510,655	513,844	1,276,655	368,592	388,053	365,939	745,554
Interest costs	(621,218)	(741,707)	(855,972)	(972,157)	(397,252)	(404,713)	(390,464)	(493,849)
Profit before operating expenses	244,654	258,698	255,251	881,892	178,996	250,463	231,738	566,901
Other operating expenses	(148,812)	(223,923)	(151,418)	(281,410)	(134,598)	(228,690)	(207,988)	(198,618)
Results from operating activities	95,842	34,775	103,833	600,482	44,398	21,773	23,750	368,283
Income tax expense	-	-	(65,646)	(80,507)	-	-	(11,178)	56,586
Net profit after tax	95,842	34,775	38,187	519,975	44,398	21,773	12,572	424,869

Balance Sheets (Rs.'000)

As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Assets	68,564,134	72,552,852	81,371,931	75,493,922	50,095,282	55,223,447	53,202,001	62,609,260
Liabilities	33,487,071	37,469,167	46,239,380	39,992,486	15,897,338	20,729,973	18,667,801	27,712,892
Net assets	35,077,063	35,083,685	35,132,551	35,501,436	34,197,944	34,493,474	34,534,200	34,896,368
Share capital & reserves	35,077,063	35,083,685	35,132,551	35,501,436	34,197,944	34,493,474	34,534,200	34,896,368
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	34,601,863	34,608,485	34,657,351	35,026,236	33,722,744	34,018,274	34,059,000	34,421,168

Income Statement (Rs.'000)

For the 3 months ended	2015/16				2014/15			
	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Revenue	4,064,938	5,189,030	5,351,834	5,663,722	2,268,378	2,537,153	2,928,167	2,995,132
Cost of sales	(2,614,978)	(3,585,261)	(3,662,953)	(2,839,659)	(1,647,164)	(1,743,317)	(2,004,297)	(1,844,757)
Income	9,747,107	11,287,217	12,023,736	11,838,035	6,800,436	7,701,282	8,846,435	9,179,031
Other Income/(Expenses)	566,490	(55,944)	(804,318)	1,155,646	91,451	567,103	(857,441)	1,528,478
Interest costs	(3,812,400)	(4,508,243)	(4,059,271)	(6,151,046)	(3,128,558)	(3,025,458)	(2,923,589)	(3,430,765)
Profit before operating expenses	7,951,157	8,326,799	8,849,028	9,666,698	4,384,543	6,036,763	5,989,275	8,427,119
Other operating expenses	(5,839,816)	(5,820,890)	(6,445,201)	(7,924,100)	(3,454,034)	(4,308,170)	(4,064,122)	(7,460,432)
Results from operating activities	2,111,341	2,505,909	2,403,827	1,742,598	930,509	1,728,593	1,925,153	966,687
Negative goodwill	-	-	-	-	-	-	-	538,138
Share of profit of associate companies	577,046	679,600	1,050,163	787,429	423,319	625,380	546,866	484,656
Profit before tax	2,688,387	3,185,509	3,453,990	2,530,027	1,353,828	2,353,973	2,472,019	1,989,481
Income tax expense	(624,484)	(789,171)	(779,153)	(333,718)	(341,354)	(560,909)	(811,784)	(156,600)
Net profit after tax	2,063,903	2,396,338	2,674,837	2,196,309	1,012,474	1,793,064	1,660,235	1,832,881

Balance Sheets (Rs.'000)

As At	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Assets	265,826,696	292,433,074	317,413,478	379,594,558	172,246,521	199,380,816	214,102,443	244,917,412
Liabilities	206,755,537	230,605,159	255,023,812	313,218,333	131,333,990	154,150,142	166,960,900	188,830,107
Net Assets	59,071,159	61,827,915	62,389,666	66,376,225	40,912,531	45,230,674	47,141,543	56,087,305
Share capital,reserves & minority interest	59,071,159	61,827,915	62,389,666	66,376,225	40,912,531	45,230,674	47,141,543	56,087,305
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	30,055,035	32,261,153	35,089,729	37,223,180	23,319,033	25,260,664	26,540,872	27,758,485
Minority interest	28,540,924	29,091,562	26,824,737	28,677,845	17,118,298	19,494,810	20,125,471	27,853,620

Value Addition

As at 31 March	2015/16 Rs.'000	%	2014/15 Rs.'000	%
Group				
Value added				
Income	52,931,853		36,016,479	
Other income	1,130,344		1,329,591	
Cost of borrowing and services	(28,977,837)		(20,780,073)	
Provisions	(2,978,061)		(4,133,977)	
Goodwill on consolidation	50,963		538,138	
Share of profits of associate companies	3,094,237		2,080,221	
	25,251,499		15,050,379	
Distribution of value added				
To employees	10,309,111	41	4,970,286	33
Remuneration and other benefits	10,309,111		4,970,286	
To government	4,033,155	16	2,714,261	18
Indirect taxes	1,506,628		843,614	
Direct taxes	2,526,527		1,870,647	
To providers of capital	812,697	3	893,871	6
Minority interest	812,697		893,871	
To expansion and growth	10,096,536	40	6,471,961	43
Retained profits	8,518,690		5,404,783	
Depreciation and amortisation	1,577,846		1,067,178	
	25,251,499	100	15,050,379	100

As at 31 March	2015/16 Rs.'000	%	2014/15 Rs.'000	%
Company				
Value added				
Income	1,955,069		1,046,238	
Other income	2,876,481		1,868,138	
Cost of borrowing and services	(3,398,850)		(1,996,884)	
Provisions	1,811		16,135	
	1,434,511		933,627	
Distribution of value added				
To employees	175,455	12	155,396	17
Remuneration and other benefits	175,455		155,396	
To Government	209,529	15	(32,105)	(3)
Indirect taxes	63,377		13,303	
Direct taxes	146,152		(45,408)	
To expansion and growth	1,049,527	73	810,336	87
Retained profits	688,780		503,612	
Depreciation and amortisation	360,747		306,724	
	1,434,511	100	933,627	100

Milestones

1992

- Launched its first subsidiary - LOFAC

1995

- First branch office opened in Kandy
- Negotiated the first long-term Rupee loan from FMO

1996

- The first to extend Dollar denominated leases to BOI companies

1997

- The first to introduce export factoring through LOFAC
- Branch office opened in Matara

1998

- Branch offices opened in Badulla and Ratnapura

1999

- LOFAC enters into strategic alliance with Dunn and Bradstreet
- Branch office opened in Anuradhapura
- Launched its insurance subsidiary, LOIB

2000

- Negotiated the second tranche of long-term Rupee loan from FMO
- Branch office opened in Kochchikade

2001

- Launched its finance subsidiary - LOFC
- Branch offices opened in Kurunegala and Kalutara

2002

- The first leasing company to be recognised as a Participating Financial Institution for the Indian Line of Credit
- Branch office opened in Galle

2003

- Received the first US Dollar long-term Loan from OPEC Fund
- The first to win the Leasing Category 'Award for Excellence in Annual Reports and Accounts' conducted by The Institute of Chartered Accountants of Sri Lanka
- Negotiated the third tranche of longterm Rupee loan from FMO
- Branch offices opened in Nuwara Eliya and Kiribathgoda

2004

- Entered into stock broking through LOSEC
- Launched LOITS, the Information Technology arm
- The first to win the 'Non-Banking Sector Award' at the South Asian Federation of Accountants (SAFA) for Best Presented Accounts Competition
- Branch office opened in Gampaha

2005

- The first Leasing Company to be ranked among the Top 10 Brands by Sting Consultants Brand Power Index
- Launched LOPD, the project development subsidiary
- LOLC cricket team emerged Mercantile 'C' Division Champions
- Negotiated the second tranche of longterm US Dollar Loan from OPEC Fund
- Negotiated the fourth tranche of long-term Rupee loan from FMO
- Negotiated the long-term US Dollar Loan from Praparco
- Branch offices opened in Kegalle, Embilipitiya and Polonnaruwa

2006

- Negotiated the long-term US Dollar Loan from DEG
- Negotiated the long-term US Dollar Loan from OPEC Fund
- Branch office opened in Wattala
- The first Regional Expansion to Cambodia through 18% holding of PRASAC

Milestones

- First to introduce a branded product 'Guardian' range from an insurance broker through LOIB
- Won the Leasing Category 'Award for Excellence in Annual Reports and Accounts' conducted by The Institute of Chartered Accountants of Sri Lanka for 2005/06

2007

- Branch offices opened in Chilaw and Mahiyangana
- Ranked among the Top 50 brands by Super Brands
- Launched the New Strategic Plan for the Company and its Subsidiaries
- Opened the first Hospital Savings Centre in Oasis
- Opened the first Student Savings Centre at Royal College - Polonnaruwa
- LOFC operations expanded to Wattala, Kegalle, Mahiyangana, Mount Lavinia and Chilaw
- LOPD received Cabinet sub-committee approval for the project on Off-Shore Sand Mining, Washing, Sieving and Grading to supply construction and related industries
- Signed up with LIOC to establish LOLC sub-branches at LIOC filling stations
- LIOC Centres opened in Morawaka and Trincomalee
- Set up the Islamic BU with an in-house Shari'ah Supervisory Board
- Dairy farmer loans, cultivation loans, business set up loans and skills enable loans were introduced
- Partnered with GTZ for capacity building of the microfinance staff, setting up low cost branch network and development of a microbanking system

2008

- Launched a lottery for customers with a house as the prize
- Launched Western Union Money transfer services at LOLC branches
- Entered into a joint venture agreement with Agri Tec for manufacture of precipitated silica and allied products using rice husk ash
- LIOC Centres opened in Pilimathalawa, Seeduwa, Aluthgama, Kadawata, Ambalangoda, Debarawewa, Beliatta and Talawakelle
- Won Bronze Award at Effie Awards 2008 in the Financial Services/ Products Category
- Spin-off of Micro Finance Business Unit as LOLC Micro Credit Ltd. (LOMC) together with FMO
- LOLC Micro Credit Ltd. was appointed as the only representative from the private sector to the Micro Finance Steering Committee appointed by the Department of Development Finance attached to Ministry of Finance and Planning
- Won the International Assets and Liability Management competition held by FMO and DEG
- Joined with Sri Lanka Post to open up Isuru Diriya Centres at post offices and sub-post offices

2009

- Opened 40 Service Centres in Post Offices around the country consequent to the agreement with Sri Lanka Post to offer products of LOLC Micro Credit Ltd. to the rural community
- Opened branches in Jaffna, Ampara, Batticaloa, Vavuniya and Trincomalee, thereby making our services available to the Northern and Eastern Regions of the country
- Opened the first dedicated Shari'ah finance branches in Kathankudi, Oddamavadi and Kalmunai.
- Selected as the Winner of the Specialised Banking and Finance Category at the National Business Excellence Awards
- Received BOI status for Lanka ORIX Information Technology Services Ltd. (LOITS - the IT arm)
- IT arm, Lanka ORIX Information Technology Services Ltd. earns 'ISO/IEC 27001:2005' certification for its enterprise data and software development functions
- Ranked amongst the Top 20 Brands in Sri Lanka by Brand Finance Lanka
- Won Best Annual Report Award and a Merit Award for Best Website from ADFIAP (Association of Development Finance Institutions in Asia and the Pacific)
- Won the Silver Award at the Sri Lankan HR Awards 2010 organised by the Association of HR Professionals Sri Lanka together with the Hewitt Associates, India Milestones

- LOLC Micro Credit Ltd. (LOMC) received a total of $14 Mn from Symbiotics and Three Triodos Funds to expand Microfinance Operations in Sri Lanka
- Lanka ORIX Finance Company Ltd. started to transact in international financial markets via SWIFT
- Received a USD 5.0 Mn guarantee facility from USAID
- Invested in United Dendro Energy (Pvt) Ltd. through LOLC Eco Solutions Ltd.

2010

- Opened 29 Service Centres in Post Offices around the country
- Opened branches in Avissawella, Pettah, Moneragala, Trincomalee, Matugama, Homagama, Nawalapitiya, Kohuwala, Hatton, Ambalangoda and Elpitiya
- Acquisition of Confifi Hotel Holdings PLC, Riverina Hotels PLC and Tropical Villas (Pvt) Ltd.
- National Business Excellence Awards 2010 - conducted by the National Chamber of Commerce, Sri Lanka - Gold Award for 'Diversified Group of Companies Sector', Silver Award for Best 'Capacity Builder' and Bronze Award for 'Extra Large Sector'. LOLC Leisure Ltd. was awarded Silver for 'Hospitality' for Eden Resorts and Spa.
- IT arm - Lanka ORIX Information Technology Services Ltd. (LOITS) earns re-certification for its conformance with the ISO/IEC 27001:2005, covering 'The Management of Information Security for Providing IT Services at Enterprise Data Center'
- LOITS was the only winner in the category of programme and application security at the ISACA Security Awards last year
- Investments made in Sierra Holdings, Sierra Constructions and AgStar Fertilizers
- Received a long-term loan from Symbiotics
- Received a long-term loan from Triple Jump
- Received a long-term loan from Minlam
- Received a long-term loan from Praparco
- Received a long-term loan from Triodos
- Most Outstanding Financial Performer 2010/11 in the Global ORIX Network
- Top 20 Most Valuable Stocks in the Colombo Bourse

2011

- Excellent Performance in the Overseas Operations Category for FY 2012 in the Global ORIX Network
- LOLC won the Achievement Award for Governance, Risk Management and Compliance (GRC) from the Open Compliance and Ethics Group (OCEG), USA
- First Money Exchange Outlet opened in Matara
- Launch of eZ pay services
- LOLC Micro Credit (LOMC) became the largest agriculture implement financier in Sri Lanka with an excess of over 100,000 customer base
- Commencement of operations of LOLC Insurance Co. Ltd.
- Formation of LOLC Securities Ltd.
- Formation of LOLC Motors and authorised distributors for FIAT in Sri Lanka
- The LOLC team won the Mercantile Basketball Championship in their respective division
- The LOLC Badminton team were placed second at the Mercantile Badminton Team Championships for 2011
- LOLC obtained the consent of the Central Bank of Sri Lanka (CBSL) to relinquish its leasing license from April 2011 and LOLC consolidated its position as a Holding Company
- LOFC obtained CBSL approval to list on the CSE and was renamed as Lanka ORIX Finance PLC
- LOLC Leisure acquires 100% ownership of Dickwella Resort & Spa
- LOFC became one of the largest deposit base holders in the Registered Finance Company sector
- LOLC was awarded the Most Outstanding Financial Performer 2010/11 in the global ORIX network, by the ORIX Corporation of Japan
- LOLC Annual Report 2010/11 won Gold at the ARC Awards 2011 and won the Grand Prize in its category
- LOLC Annual Report 2010/11 won Gold at the League

Milestones

of American Communications Professionals (LACP) Vision Awards 2010 in the 'Conglomerates and Holding Companies' category

- LOLC Annual Report 2010/11 wins the ADFIAP Awards 2012 for 'Best Annual Report' in the Special Awards category
- 2010 Annual Report of Al-Falaah - the Islamic Business Unit of LOFC, won Bronze at the League of American Communications Professionals (LACP) Vision Awards 2011
- LOLC becomes the Overall Silver Winner; Winner for Best 'Capacity Builder'; First Runner-up for 'Extra Large Sector' and Runners-up for 'Diversified Group of Companies' and 'Excellence in Business & Financial Performance' at the National Business Excellence Awards 2010/11
- Eden Resort & Spa of LOLC Leisure Ltd. was awarded Runners-up in the 'Hospitality' category at the National Business Excellence Awards 2010/11
- Eden Resort & Spa won an overall 36 medals at the 14th Culinary Art 2011 organised by the Chefs Guild of Sri Lanka and was also placed 7th in the overall ranking amongst 211 hotels and other catering establishments in Sri Lanka
- Eden Resort & Spa received the ISO 9001:2008+HACCP certificate for an additional period of 3 years, effective from January 2012
- LOLC was ranked among Business Today's Top 20 Corporates of Sri Lanka 2011
- LOLC's Brand was listed among the Most Valuable Brands of 2011 by Brand Finance Lanka
- LOLC was ranked among LMD's Top 50 Listed Companies of Sri Lanka
- LOLC became the Top 20 Most Valuable Stocks/ Companies in the Colombo Bourse 2011
- LOLC was placed among the Top 20 Most Respected Entities in Sri Lanka 2010/11
- During the FY, a total of 36 service points were opened across the island
- LOLC records highest ever profits of Rs. 10.3Bn PBT

2012

- LOLC, Lanka ORIX Finance and Commercial Leasing & Finance were independently assigned Issuer Rating of '[SL] A-'with stable outlook by ICRA Lanka Ltd.
- LOLC Micro Credit secures the largest micro finance syndicated loan of USD 55.5Mn in Sri Lanka
- LOLC was awarded the Best Financial Services Provider at SLIM – Nielsen Peoples Awards 2013
- LOLC ranks 5th top corporate at Business Today Top 25 Awards 2012
- LOLC amongst LMD's top 100 leading listed companies of Sri Lanka
- LOLC amongst Sri Lanka's Leading Brands for 2012 by Brands Finance
- ICRA Lanka assigns [SL]A- with stable outlook to the Rs 1.25 Bn unsecured debenture programmes of LOLC
- Newly constructed LOLC CARE Child Development Centre was opened.
- Eden Resort & Spa emerged Runners-up (Large Category) at the National Business Excellence Awards 2012
- Eden Resort & Spa becomes the only leisure brand honoured with a National Level Merit Award (National Level Extra Large category -Services sector) at the CNCI Achiever Award 2012 organised by The Ceylon National Chamber of Industries.
- Eden Resort & Spa wins Gold for Sri Lanka at the World Culinary Olympics 2012, wins Travelers' Choice 2013 award and receives Certificate of Excellence by Tripadvisor for 2012
- Al-Falaah opens first Shari'ah Compliant Student Savings Centre in Sri Lanka
- Al-Falaah opens 5th branch in Akkaraipattu.
- Al-Falaah renews identity of Al-Falaah Junior Minor Savings Account
- Al-Falaah wins Gold for 'Financial services – General' Summary Annual Review Category at the 2012 ARC International Annual Report Awards and wins 2 bronze awards for 'Written Text and Printing & Production", and 2 Honors awards for 'Cover / Photo Design and Interior Design' for the 2010/11 Annual review 'Values Generate Value'.

- Al-Falaah wins Silver Award in the "Financials – Diversified Services" category at the 2011 League of American Communications Professionals (LACP) Vision Awards and is placed among the Top 25 Sri Lankan Annual Reports for the year in review.
- Lanka ORIX Finance expands foot print to North & East with new branches opened in Mannar, Mullaitivu, Nelliady, Chunnakam and Chavakachcheri.
- Branches were also opened in Dehiattakandiya, Medawachchiya, Aralaganwila, Nikaweratiya, JaEla, Balangoda, Kekirawa and Tissamaharama.

2013

- LOLC Micro Credit becomes the first ever Sri Lankan Micro Finance Institute to receive certification on Client Protection.
- LOLC Technologies achieves ISO/IEC 20000: 2011 certification.
- LOLC wins the first ever Gold at SLITAD People Development Award.
- LOLC wins accolades at the SLIBFI Awards 2013.
- Al-Falaah's Annual Report "Choice" wins Gold.
- Eden Resort & Spa wins awards at CNCI Achiever Awards 2013.
- Al-Falaah Ladies launch "Empress" the first ever discount card for ladies.
- LOLC lays foundation stone for new regional office in Anuradhapura.
- LOLC Micro Credit becomes the first ever Sri Lankan Micro Finance Institute to receive certification on Client Protection.
- LOLC Technologies achieves ISO/IEC 20000: 2011 certification.
- LOFC introduces product extensions and benefits for "Speed Draft".
- LOLC wins the first ever Gold at SLITAD People Development Award.
- LOLC Insurance launches new life products.
- LOLC wins accolades at the SLIBFI Awards 2013.
- Al-Falaah's Annual Report "Choice" wins Gold.
- Eden Resort & Spa wins awards at CNCI Achiever Awards 2013.
- LOLC, LOMC & CLC among the Top 5 Best Companies to work in Sri Lanka.
- Al-Falaah Ladies launched.
- BRAC & LOLC acquires Nanda Investments.
- LOLC ranked among Business Today's Top 25 Corporates for the year 2013.
- LOFC & CLC ranked among LMD's 100 Leading Listed Companies of Sri Lanka.
- LOLC & CLC among the Brand Annual's most valuable brands.
- New branches were opened in Ambalantota and Matale.

2015

- LOLC Technologies wins the Gold Award for Best Islamic Finance IT Solutions Provider at the 3rd consecutive Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards.
- Al-Falaah was adjudged the Islamic Finance Entity of the Year 2014 at the 4th Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards.
- At the 4th SLBFI Awards, Al-Falaah also emerged at the top for the Social Upliftment Award (CSR) category by winning Gold and a Silver award in the category for the Rising Islamic Personality of the Year 2014.
- LOFC introduces "Fixed Deposit Bond" which is the first transferable term investment product introduced to the financial services sector in Sri Lanka.
- LOLC Insurance holds Inaugural Sales Convention & Awards Night.
- LOLC ranked among the top 20 most respected entities in Sri Lanka.
- LOLC Group acquires 60% stake in Cambodian Microfinance Company, TPC.
- LOLC Leisure rebranded as Browns Hotels and Resorts.
- LOLC Insurance and Al-Falaah joins in partnership to introduce "Al-Falaah Takaful".

Milestones

- LOLC announces record breaking production at Hingurana Sugar Factory.
- LOLC wins “Silver Award” at HRP awards organised by the Human Resources Professionals Sri Lanka.
- LOFC Joins LankaPay’s Electronic Fund Transfer Network.

2015-16

- Al-Falaah wins three accolades at the 1st IFFSA Awards, organised by UTO EduConsult and Adjudicated KPMG Sri Lanka. Al-Falaah bagged the Silver Award for the Islamic Finance Entity of the Year, Sri Lanka, Gold in the Social Upliftment Award, Sri Lanka and Gold for the Rising Islamic Finance Personality of the Year.
- LOLC Group was bestowed a Silver Award at the SLITAD People Development Awards 2015.
- LOLC Finance enters Kaduwela
- Kandy Branch which is the first branch office of LOLC Finance moved to its very own premises.
- LOLC Securities Limited won Gold and Silver awards for the Best Equity Research report at the Capital Market Awards & Forecast Dinner organised by CFA Society Sri Lanka.
- LOLC is ranked among the TOP 10 Most Respected Firms in Sri Lanka.
- The LOLC Finance Branch in Ambalangoda moved to a new location.
- Al-Falaah Takaful Celebrates a Successful First Year
- LOLC Finance connects to CEFTS (Common Electronic Fund Transfer Switch) enabling faster and reliable real-time electronic payment
- BRAC Lanka Finance opens its first regional office in Matara
- LOLC was placed 7th in the Business Today’s TOP 25 Edition 2014-15.
- ICRA Lanka Limited, a Group Company of Moody’s Investor Services upgraded the credit rating of LOLC, LOLC Finance PLC and Commercial Leasing & Finance PLC to [SL] A with stable outlook from [SL] A- with stable outlook.
- LOLC was ranked 13th among Sri Lanka’s Leading Listed Companies in the 22nd edition of the LMD 100 annual magazine.
- Al Falaah, BRAC and Browns Tours moved to its new corporate office at Darley Road, Colombo 10.
- The LOLC Finance City office at Union Place was relocated to T.B. Jayah Mawatha (Darley Road), Colombo 10.
- Lanka ORIX Finance PLC changes name to LOLC Finance PLC
- LOLC invests US $ 35 Mn in four Male Hotels
- The name Thaneakea Phum (Cambodia) Ltd, was changed to LOLC Cambodia PLC.
- Al-Falaah receives top recognition at the IFN Best Banks Poll global awards 2015. Al-Falaah was adjudged Runners-Up in the category of “Best Islamic Leasing Provider (Overall) 2015” at the Redmoney’s Annual Global Awards - Islamic Finance News (IFN) Best Banks Poll 2015.
- 3 LOLC Group Companies Receive Largest Syndicated Loan in History of Sri Lanka’s NBFI Sector.
- The 2nd LOLC Vasana Super Draw, took place awarding 6 winners with brand new Fiat Linea motor cars.
- The LOLC Finance Jaffna office moved into its very own premises at No. 62/40, Stanley Road, Jaffna.
- The LOLC Finance City office moved to No. 481, T.B. Jayah Mawatha (Darley Road), Colombo 10.
- The HR Team organised its Annual CSR project this year at the Missionaries of Charity Sisters of Mother Teresa Shanthi Nivasa, Home for the Elders in Mattakkuliya.

List of Directors

Company	Directors
Lanka ORIX Leasing Co. PLC	R M Nanayakkara, I C Nanayakkara (also alternate to R M Nanayakkara), W D K Jayawardena, Mrs. K U Amarasinghe, M D D Pieris, Dr. R A Fernando, H Yamaguchi, H Nishio, T Kaneda (Alternate to H Yamaguchi), K Okuno (Alternate to H Nishio)
LOLC Finance PLC	W D K Jayawardena, I C Nanayakkara, Mrs K U Amarasinghe, Dr Harsha Cabral, Mrs. D P Pieris, Justice R K S Suresh Chandra, A Nissanka
Commercial Leasing & Finance PLC	I C Nanayakkara , W D K Jayawardena, Mrs. K U Amarasinghe, P D J Fernando, D M D K Thilakaratne
LOLC Micro Credit Ltd	I C Nanayakkara, W D K Jayawardena, Mrs. K U Amarasinghe *(also alternate to Mr. I C Nanayakkara)*, R D Tissera, I Wijesiriwardena, P Kooi
LOLC Life Assurance Ltd	I C Nanayakkara, Mrs. K U Amarasinghe, Dr Harsha Cabral
LOLC General Insurance Ltd	W D K Jayawardena, K A K P Gunawardena, Dr. J M Swaminathan
LOLC Securities Ltd	W D K Jayawardena, S Gurusinghe, K A K P Gunawardena, Dr. J M Swaminathan
LOLC Factors Ltd	K A K P Gunawardena, J B W Kelegama, F G A Lawrence
LOLC Investments Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
LOLC Micro Investments Ltd	K A K P Gunawardena, R D Tissera, J B W Kelegama
BRAC Lanka Finance PLC	I C Nanayakkara, W D K Jayawardena, R D Tissera, A J L Peiris, W R D Dharmarathne
Browns Hotels and Resorts Ltd	K A K P Gunawardena, Mrs V G S S Kotakadeniya, J B W Kelegama, D S K Amarasekera
Eden Hotels Lanka PLC	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, Prof. M T A Furkhan, S Furkhan, Dr. J M Swaminathan
Palm Garden Hotels PLC	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, Dr. J M Swaminathan
LOLC Asset Holdings Ltd	K A K P Gunawardena, J B W Kelegama
Lanka ORIX Information Technology Services Ltd	F K C P N Dias, K A K P Gunawardena, J B W Kelegama
LOLC Technologies Ltd	F K C P N Dias, K A K P Gunawardena, J B W Kelegama
LOLC Eco Solutions Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
United Dendro Energy Walawewatte (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena
United Dendro Energy Ambalantota (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena
Thurushakthi (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena
Sundaya Lanka (Pvt) Ltd	M R Adema, R D Tissera, K A K P Gunawardena, J B W Kelegama
LOLC Motors Ltd	K A K P Gunawardena, P D G Jayasena, Mrs. V G S S Kotakadeniya
Speed Italia (Pvt) Ltd	W D K Jayawardena, K A K P Gunawardena, P D G Jayasena

List of Directors

Company	Directors
Dickwella Resorts (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Tropical Villas (Pvt) Ltd	D S K Amarasekera, K A K P Gunawarden, J B W Kelegama
Riverina Resorts (Pvt) Ltd	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, K A K P Gunawardena
Lanka ORIX Project Development Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Commercial Factors (Pvt) Ltd	K A K P Gunawardena, D M D K Tilakeratne, J B W Kelegama
LOLC Capital One (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, S Gurusinghe, B D T Rohan Perera
LOLC Corporate Services (Pvt) Ltd	K A K P Gunawardena, Miss C S Emmanuel, Mrs. R T Seneviratne, Mrs. J K Vaas
East Cost Land Holdings (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Prospere Realty (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Green Orchard Property Investments (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Eagle Recoveries (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Green Valley Asset Holdings (Private) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Fairview Lands Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
LOLC Cambodia PLC	B C G De Zylva, R D Tissera, I Wijesiriwardena, Miss F P L De Lima, H M T Moormann
LOLC Myanmar Micro Finance Co. Ltd	I C Nanayakkara, R D Tissera, B C G De Zylva, K A K P Gunawardena
Brown & Company PLC	I C Nanayakkara, H P J De Silva, W D K Jayawardena, Mrs. K U Amarasinghe, R M Nanayakkara, T Bandaranayake
Associated Battery Manufacturers Ceylon Ltd	S Chakraborty, I C Nanayakkara, W Wong, A K Mukherjee, S Arnab, M Ramachandran
S.F.L. Services (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Engineering Services (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, R M Nanayakkara , I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara and R M Nanayakkara), K A K P Gunawardena
Masons Mixture Limited	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, R M Nanayakkara , I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara and R M Nanayakkara), K A K P Gunawardena
Browns Group Motels Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
C.F.T.Engineering Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Browns Group Industries (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)

Company	Directors
The Hatton Transport And Agency Company (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Walker & Greig (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Browns Investments PLC	I C Nanayakkara, D S K Amarasekera, Mrs. K U Amarasinghe, S Furkhan, W D K Jayawardena, Dr. H Cabraal, Dr. J M Swaminathan, R M Nanayakkara
Klevenberg (Pvt) Ltd	Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara), K A K P Gunawardena
Sifang Lanka Trading (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Sifang Lanka (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara), Z Haifeng, H Yilin
Galoya Holdings (Pvt) Ltd	R M G K B Ratnayake, K A K P Gunawardena, W K D T Abeyrathne, S G Kaliyadasa, Ms. J Chandramohan
Galoya Plantations (Pvt) Ltd	Dr.K B Kotagama, S G Senarathna, K A K P Gunawardena, R M G K B Ratnayake, D Abeyrathne, Ms. S R S De Silva, Ms.C S Perera, T Wanigasinghe
Browns Thermal Engineering (Pvt) Ltd	Mrs. R L Nanayakkara, D Fernando, A K D Munidasa
Browns Motors (Pvt) Ltd	R M Nanayakkara, Mrs. I Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Browns Industrial Park Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Snowcem Products Lanka (Pvt) Ltd	Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara), K A K P Gunawardena
Browns Healthcare (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Browns Real Estates (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Browns Health Care North Colombo (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
E.S.L. Trading (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara)
Browns Holdings Ltd	R M Nanayakkara , Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara and R M Nanayakkara)
Browns Tours (Pvt) Ltd	Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara), T Selviah, D S K Amarasekera, P A D F Perera
B.G.Air Services (Pvt) Ltd	Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara), D S K Amarasekera

List of Directors

Company	Directors
Samudra Beach Resorts (Pvt)Ltd	D S K Amarasekera, Mrs. R L Nanayakkara, T Selviah (Alternate Director to D S K Amarasekera), K A K P Gunawardena
Millennium Development (Pvt) Ltd	D S K Amarasekera, T Selviah, K A K P Gunawardena, E C Wijeratne
Excel Global Holdings (Pvt) Ltd	D S K Amarasekera, T Selviah (Alternate Director to D S K Amarasekera), K A K P Gunawardena
Taprobane Plantations Ltd	Mrs. R N A Nanayakkara, Mrs. M S R Jayaweera
Excel Restaurants (Pvt) Ltd	D S K Amarasekera, T Selviah, K A K P Gunawardena, E C Wijeratne
Ajax Engineers (Pvt) Ltd	S Karunarathne, J Sheriff, D S K Amarasekera, Mrs. V G S S Kotakadeniya
Ceylon Roots (Pvt) Ltd	S A N Perera, P A D F Perera, D S K Amarasekera, K A K P Gunawardena
Green Paradise (Pvt) Ltd	M Edo, P Graziano, Ms. E M Biancato (Alternate Director to M Edo), E Cianciullo, D S K Amarasekera, Mrs. K U Amarasinghe, K A K P Gunawardena, T Selviah (Alternate Director to D S K Amarasekera)
Sun & Fun Resorts Ltd	C Melappati, T Rusiripala, V K Vemuru, D S K Amarasekera, Mrs. K U Amarasinghe, K A K P Gunawardena, T Selviah (Alternate Director to D S K Amarasekera)
Creations Wooden Fabricators (Pvt) Ltd	A P Weeratunga, Ms. H M Mangalika, K A K P Gunawardena, D S K Amarasekera
Browns Global Farm (Pvt) Ltd	Mrs. R N A Nanayakkara, I C Nanayakkara (Alternate Director to Mrs. R N A Nanayakkara), D S K Amarasekera
B I Commodities and Logistics (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, A Vithanage
BI Zhongtian Holdings (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, W Z Feng, W Z Shan
Browns Capital Holdings (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
Browns Capital PLC	I C Nanayakkara, W D K Jayawardena, R M Nanayakkara, D S K Amarasekera, A I Fernando, U H Palihakkara, Mrs. K U Amarasinghe, Mrs. V G S S Kotakadeniya
F L M C Plantations (Pvt) Ltd	I C Nanayakkara, W D K Jayawardena, Mrs. K U Amarasinghe, Mrs. V G S S Kotakadeniya, G D Seaton, D S K Amarasekera, A J Chaytor, H Ramasamy, K A K P Gunawardena
F L P C Management (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
Browns Power Holdings (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
Dolekanda Power (Pvt) Ltd	D S K Amarasekera, Mrs. V G S S Kotakadeniya
Enselwatte Power (Pvt) Ltd	D S K Amarasekera, Mrs. V G S S Kotakadeniya
Browns Properties (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
F L C Estate Bungalows (Pvt) Ltd	D S K Amarasekera, Mrs. V G S S Kotakadeniya
Pussellawa Plantations Ltd	I C Nanayakkara, W D K Jayawardena, Mrs. K U Amarasinghe, G D Seaton, D S K Amarasekera, Mrs. V G S S Kotakadeniya, S K Kusalakumaran

Company	Directors
Maturata Plantations Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya, M J R Puviraj
Browns Hydro Power PLC	I C Nanayakkara, W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, Dr. T Senthilverl, Mrs. V G S S Kotakadeniya, U H Palihakkara, A I Fernando
Halgranoya Hydro Power (Pvt) Ltd	D S K Amarasekera, Mrs. V G S S Kotakadeniya
Thebuwana Hydro Power (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
Stellenberg Hydro Power (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
Ceylon Estates Teas (Pvt) Ltd	A Wickramasuriya, D S K Amarasekera, K A K P Gunawardena, J M S De Mel, Mrs. V G S S Kotakadeniya, G J Aloysius, G A Aloysius (Alternate Director to Mr. G J Aloysius)
Melfort Green Teas (Pvt) Ltd	L T D Peiris, Mrs. R V Perera, Mrs. K U Amarasinghe, D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya, H D A D Perera
F L M C Sudima Timber Products (Pvt) Ltd	J M S De Mel
PRASAC Micro Finance Institution	R Fernando, A T Maria, H Halbertsma, I C Nanayakkara, J Hoess, O S Oeun, P Touch
Seylan Bank PLC	W M R S Dias, I C Nanayakkara, Ms M C Pietersz, K P Ariyaratne, Rear Admiral B A J G Peiris, S P S Ranatunga, W D K Jayawardena, P L S K Perera, S V Corea
Virginia International Investments Limited	A R Gunawardena, D S K Amarasekera, E M M Boyagoda, T N M Peiris, E K I De Zoysa
AgStar Fertilizers PLC	N G R Karunaratne, D N N Lokuge, A P Weerasekara, W A P Perera, I C Nanayakkara, D S K Amarasekera, H P J De Silva, A G Weerasinghe, Ms S Wickramasinghe
Sierra Construction (Private) Limited	F A W Irugalbandara, D N N Lokuge, W A P Perera, E A D T B.Perera, J H P Ratnayeke, E M M Boayagoda, I C Nanayakkara, D S K Amarasekera, A C P Irugalbandara (Alternate to F A W Irugalbandara)
Sierra Holdings (Private) Limited	F A W Irugalbandara, D N N Lokuge, W A P Perera, E A D T B.Perera, D S K Amarasekera
Biera Parawood Products (Pvt) Ltd	S D Amarasinghe, Dr.K A Amarasinghe, R P Pathirana, V Selvaraj, B D P D Perera, M H De Silva, Ms. S T Ratwatte

Share Distribution

SHAREHOLDING AS AT 31ST MARCH

Range	2016 No. of Shareholders	2016 No. of Shares	2016 %	2015 No. of Shareholders	2015 No. of Shares	2015 %
1 - 1,000	1,919	695,769	0.15	2,100	759,871	0.16
1,001 - 10,000	844	3,262,305	0.69	833	3,126,020	0.66
10,001 - 100,000	287	8,666,361	1.82	285	8,725,262	1.83
100,001 - 1,000,000	42	10,708,506	2.25	42	11,217,667	2.36
Over 1,000,000	15	451,867,059	95.09	16	451,371,180	94.99
	3,107	475,200,000	100.00	3,177	475,200,000	100.00

CATEGORIES OF SHAREHOLDERS

Range	2016 No. of Shareholders	2016 No. of Shares	2016 %	2015 No. of Shareholders	2015 No. of Shares	2015 %
Local Individuals	2,837	286,989,658	60.39	2,919	284,470,952	59.86
Local Institutions	224	25,366,080	5.34	211	27,124,400	5.71
Foreign Individuals	37	563,268	0.12	37	982,279	0.21
Foreign Institutions	9	162,280,994	34.15	10	162,622,369	34.22
	3,107	475,200,000	100.00	3,177	475,200,000	100.00

SHARE PRICES FOR THE YEAR

	As at 31/03/2016 (Rs.)	As at 31/03/2015 (Rs.)
Market price per share		
Highest during the year	116.20	102.00
Lowest during the year	64.10	75.00
As at end of the year	72.00	76.00

PUBLIC HOLDING

The percentage of shares held by the public is 15.50% (2015-15.50%) comprising 3,100 shareholders.

TWENTY LARGEST SHAREHOLDERS OF THE COMPANY AS AT 31ST MARCH

	Name of the Shareholder	31.03.2016		31.03.2015	
		No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
1	R M Nanayakkara	172,492,292	36.30	172,492,292	36.30
2	ORIX Corporation	142,560,000	30.00	142,560,000	30.00
3	I C Nanayakkara	59,895,500	12.60	59,895,500	12.60
4	Mrs K U Amarasinghe	23,760,000	5.00	23,760,000	5.00
5	Employees Provident Fund	15,182,259	3.20	15,182,259	3.20
6	HSBC INTL Nom Ltd-BBH- Matthews International Funds-Matthews Asia Growth Fund	12,121,473	2.55	12,121,473	2.55
7	DR. R R De Silva	7,602,599	1.60	4,893,476	1.03
8	HSBC INTL Nom Ltd-State Street Luxembourg C/O SSBT-ABN Amro Multi-Manager Funds	6,937,775	1.46	6,937,775	1.46
9	Mrs. I Nanayakkara	2,827,948	0.60	2,827,948	0.60
10	Employees Trust Fund Board	2,740,493	0.58	3,407,737	0.72
11	Estate of Late Mariapillai Radhakrishnan (Deceased)	1,500,000	0.32	1,500,000	0.32
12	HSBC/Mr. Romesh Charitha De Silva	1,150,000	0.24	1,150,000	0.24
13	G G Ponnambalam	1,044,960	0.22	1,044,960	0.22
14	Dr M. Ponnambalam	1,044,960	0.22	1,044,960	0.22
15	Swastika Mills Ltd	1,006,800	0.21	1,006,800	0.21
16	Mrs. S N Fernando	818,440	0.17	818,440	0.17
17	S Nadesan	660,000	0.14	660,000	0.14
18	National Savings Bank	606,900	0.13	606,900	0.13
19	Confifi Management Services (Pvt) Ltd	600,000	0.13	600,000	0.13
20	HSBC INTL Nom Ltd-BBH- Matthews Emerging Asia Fund	573,466	0.12	573,466	0.12
		455,125,865	95.78	453,083,986	95.35
	Others	20,074,135	4.22	22,116,014	4.65
	Total	475,200,000	100.00	475,200,000	100.00

Corporate Information

Name of the Company

Lanka ORIX Leasing Company PLC

Country of Incorporation

Sri Lanka

Date of Incorporation

14 March 1980

Legal Form

A quoted public company with limited liability.

Company Registration No.

PQ 70

Stock Exchange Listing

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Registered Office

100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka.

Head Office

No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka
Telephone: 011-5880880
Fax: 011-2865606 (Gen)
Website: www.lolc.com

Directors

Rajah Mahinda Nanayakkara - *Non Executive Chairman*
Ishara Chinthaka Nanayakkara - *Executive Deputy Chairman*
(Also alternate to R M Nanayakkara)
Waduthantri Dharshan Kapila Jayawardena - *Managing Director / Group CEO*
Kalsha Upeka Amarasinghe - *Executive Director*
Minuwanpitiyage Dharmasiri Dayananda Pieris - *Independent Director*
Ravindra Ajith Fernando - *Independent Director*
Harukazu Yamaguchi - *Non Executive Director*
Hiroshi Nishio - *Non Executive Director*
Takehisa Kaneda - *Non Executive Director (Alternate to H Yamaguchi)*
Keiji Okuno - *Non Executive Director (Alternate to H Nishio)*

Board Sub Committees

Audit Committee

M D D Pieris - *Independent Director – Committee Chairman*
R A Fernando - *Independent Director*

Talent Development and Remuneration Committee

R A Fernando - *Independent Director – Committee Chairman*
M D D Pieris - *Independent Director*

Related Party Transactions Review Committee

M D D Pieris - *Independent Director - Committee Chairman*
W D K Jayawardena - *Managing Director*
Mrs. K U Amarasinghe - *Executive Director*

Corporate Governance Committee

M D D Pieris - *Independent Director - Committee Chairman*
R A Fernando - *Independent Director*
W D K Jayawardena - *Managing Director*
Mrs. K U Amarasinghe - *Executive Director*

Integrated Risk Management Committee

M D D Pieris - *Independent Director - Committee Chairman*
W D K Jayawardena - *Managing Director*
Mrs. S Wickremasekera - *Chief Risk Officer*
Mrs. S Kotakadeniya - *Chief Financial Officer*
F K C P N Dias - *Chief Information Officer*
K A K P Gunawardena - *Chief Legal Officer*
B D T R Perera - *GM - Treasury*
J B W Kelegama - *Chief Credit Officer*
A Dharmaprema - *CEO - Recoveries*
P Uluwaduge - *Head of HR*
P Pathirana - *Head of IT Security and Compliance*

Company Secretaries

L O L C Corporate Services (Private) Limited

Auditors

Ernst & Young, Chartered Accountants

Lawyers

Julius & Creasy

Nithya Partners

Registrars

P.W. Corporate Secretarial (Pvt) Ltd.

Principal Activities

Monitoring and managing the Group's investments and providing centralised support services to its subsidiaries and associates.

Bankers

Bank of Ceylon
Standard Chartered Bank, Citi Bank N A.,
Hatton National Bank PLC,
Hongkong & Shanghai Banking Corporation,
Deutsche Bank AG,
Nations Trust Bank PLC,
Commercial Bank of Ceylon PLC,
NDB Bank Ltd, Sampath Bank PLC,
Seylan Bank PLC, Union Bank Colombo PLC, MCB Bank
Pan Asia Banking Corporation PLC,

Glossary

A

Accrual Basis

Recognising the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent.

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Available-for-Sale Financial Instruments

Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

Cash Basis

Recognising the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.

Consolidated Financial Statements

Financial Statements of a Group presented as those of a single company.

Corporate Governance

The process by which corporate entities are governed. It covers the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

D

Depreciation

Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to profit or loss for the period either directly or indirectly.

E

Executions

Advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

Earned Premium The proportion of net written premium recognised for accounting purposes as income in a given period.

F

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Finance Lease

A lease that transfers substantially all the risks and rewards incidental to ownership of the asset to the lessee. Title may or may not eventually be transferred.

Financial Liability

Contractual obligation to deliver cash or another financial asset to another entity.

G

Goodwill

Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction and is recognised as an asset.

Gross Dividend

The proportion of profit distributed to shareholders inclusive of tax withheld.

Gross Portfolio

Total rental installment receivable of the advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

H

Hire Purchase

A hire purchase is a contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

I

Impairment

Amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Insurance Provisions

Amounts set aside on the basis of actuarial calculations to meet obligations to policyholders.

Intangible Asset An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Interest Cost

The sum of monies accrued and payable to the sources of borrowed working capital.

Interest in Suspense

Interest income of non-performing portfolio; these interests are accrued but not considered as part of income.

Investment Property

Investment property is property (land or a building - or part of a building - or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

J

Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

K

Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

L

Lease

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

M

Minority Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interests who are not owned, directly or indirectly through subsidiaries, by the Parent.

N

Negative Goodwill

Any excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition and is treated as income in the period it arises.

Net Portfolio

Total rental installment receivable excluding interest of the advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

Non-Performing Portfolio

Facilities granted to customers who are in default for more than six months.

O

Operating Lease

An operating lease is a lease other than a finance lease.

Glossary

P

Provision

Amounts set aside against possible losses on net receivable of facilities granted to customers, as a result of them becoming partly or wholly uncollectible.

R

Reinsurance

An arrangement whereby Insurers transferring portions of risk portfolios to other parties (Reinsurers) in order to reduce part or all of the liability assumed by the insurer under a policy or policies of insurance.

Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Related Party Transactions

A transfer of resources or obligations between related parties, regardless of whether a price is charged.

Residual Value

The estimated amount that is currently realisable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Revenue Reserve

Reserves set aside for future distribution and reinvestment.

S

Segmental Analysis

Analysis of information by segments of an enterprise, specifically the different industries and the different geographical areas in which it operates.

Shareholders' Funds (Equity)

Total of issued and fully-paid ordinary share capital and reserves.

Stated Capital

All amounts received by the Company or due and payable to the Company - (a) in respect of the issue of shares, (b) in respect of calls on shares.

Subsidiary Company

Subsidiary is a company that is controlled (power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities) by another company known as the Parent.

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

U

Unearned Premium

Premiums received by an insurer outside the current accounting period (unearned premium). Such premiums are not treated as income until they become earned during the period to which they relate.

V

Value Addition

Value of wealth created by providing leasing and other related services considering the cost of providing such services.

RATIOS

Method of computation and indicates

C

Cost to Income Ratio

Operating expenses excluding provision for bad and doubtful debts as a percentage of total operating income, net of interest cost. Efficiency of cost management in generating income.

D

Debt to Equity (Gearing) Ratio

Total debts divided by equity. The extent to which debt contributes to fund total assets, compared to the contribution from equity.

Dividend Cover

Profit attributable to ordinary shareholders divided by gross dividends of ordinary shares. Number of times dividend is covered by current year's distributable profits.

Dividend Per Share (DPS)

Value of the dividend proposed and paid out to ordinary shareholders divided by the number of ordinary shares in issue. Share of current year's dividend distributable to an ordinary share in issue.

E

Earnings Per Share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year. Share of current year's earnings attributable to an ordinary share in issue.

I

Interest Cover

Earnings before interest and tax divided by interest charges. Ability to cover or service interest charges of the debtholders.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by market value of a share. Total market value of all ordinary shares in issue.

N

Net Asset Value Per Ordinary Share

Ordinary shareholders' funds divided by the number of ordinary shares in issue. Book value of an ordinary share.

Non-Performing Facilities Ratio

Total gross non-performing portfolio divided by total gross portfolio. Percentage of total gross non-performing portfolio against the total gross portfolio.

P

Price Earning Ratio (PER Ratio)

Market price of a share divided by Earnings Per Share (EPS). Number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

R

Return On Assets (ROA)

Net profits expressed as a percentage of average total assets. Overall effectiveness in generating profits with available assets; earning power of invested total capital.

Return On Equity (ROE)

Net profit, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' funds. Earning power on shareholders' book value of investment (equity).

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY SEVENTH ANNUAL GENERAL MEETING of the Company will be held on 6th September, 2016 at 11.00 a.m. in the LOLC Auditorium, Head Office, Rajagiriya for the following purposes:

1. To receive and consider the Report of the Directors and Statement of Accounts for the year ended 31st March 2016 with the Report of the Auditors thereon.

2. To re-elect as a Director R A Fernando who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.

3. To re-elect as a Director H Nishio who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.

4. To re-elect as a Director R M Nanayakkara, who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election (see note 4 below)

5. To re-elect as a Director M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election (see note 5 below)

6. To re-appoint M/s Ernst and Young Chartered Accountants as auditors for the ensuring financial year at a remuneration to be fixed by the Directors

By order of the Board
LANKA ORIX LEASING CO. PLC

Miss Chrishanthi Emmanuel
Director – L O L C Corporate Services (Private) Limited
Secretaries

12th August 2016
Rajagiriya (in the greater Colombo)

NOTE:

1) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company

2) The completed Form of Proxy should be deposited at the registered office of the Company, 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, not later than 11.00 a.m. on 4th September 2016.

3) A Form of Proxy accompanies this Notice

4) Special Notice was received by the Company from a shareholder of the Company giving Notice of intention to move the following Resolution at the above Annual General Meeting :

   "Resolved that Mr. R M Nanayakkara who reached the age of 70 years in 2010, be and is hereby re-elected a Director of the company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. R M Nanayakkara"

5) Special Notice was received by the Company from a shareholder of the Company giving Notice of intention to move the following Resolution at the above Annual General Meeting :

   "Resolved that Mr. M D D Pieris who reached the age of 70 years in 2007, be and is hereby re-elected a Director of the company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Deshamanya M D D Pieris."

Notes

Notes

Form of Proxy

I/ We ..... of .....
..... being a member/members of the above named
Company hereby appoint; .....
of ..... whom failing

R M Nanayakkara	of Colombo or failing him
I C Nanayakkara	of Colombo or failing him
W D K Jayawardena	of Colombo or failing him
M D D Pieris	of Colombo or failing him
Mrs. K U Amarasinghe	of Colombo or failing her
R A Fernando	of Colombo

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Seventh Annual General Meeting of the Company to be held on 6th September 2016 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

		For	Against
1	To re-elect as a Director R A Fernando who retires by rotation in terms of Articles 88(i) of the Article of Association of the Company.		
2	To re-elect as a Director H Nishio who retires by rotation in terms of Articles 88(i) of the Article of Association of the Company.		
3	To re-elect as a Director R M Nanayakkara, who retires in terms of Section 210 of the Companies Act No. 7 of 2007.		
4	To re-elect as a Director M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007.		
5	To re-appoint as auditors M/s Ernst and Young Chartered Accountants for the ensuring financial year at a remuneration to be fixed by the Directors		

dated this ..... day of 2016

.....
Signature of Shareholder

NOTE:

1) a proxy need not be a member of the company
2) Instruction as to completion appear on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1 Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

2 The completed Form of Proxy should be deposited at the registered office of the Company No: 100/1, Sri Jayawardenapura Mawatha, Rajagiriya not less than 48 hours before the time appointed for the holding of the Meeting.

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